

CITY OF ESCANABA, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2007

Prepared by:
Office of the Controller

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Escanaba	County Delta
Fiscal Year End June 30, 2007	Opinion Date December 18, 2007	Date Audit Report Submitted to State December 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-----|----|--|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|----|--|
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. The local unit has adopted a budget for all required funds.
 5. A public hearing on the budget was held in accordance with State statute.
 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. The local unit only holds deposits/investments that comply with statutory requirements.
 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. The local unit is free of repeated comments from previous years.
 12. The audit opinion is UNQUALIFIED.
 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. The board or council approves all invoices prior to payment as required by charter or statute.
 15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

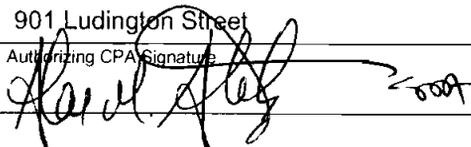
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111		
Street Address 901 Ludington Street		City Escanaba	State MI	Zip 49829
Authorizing CPA Signature 		Printed Name Alan M. Stotz, CPA		License Number 1996839

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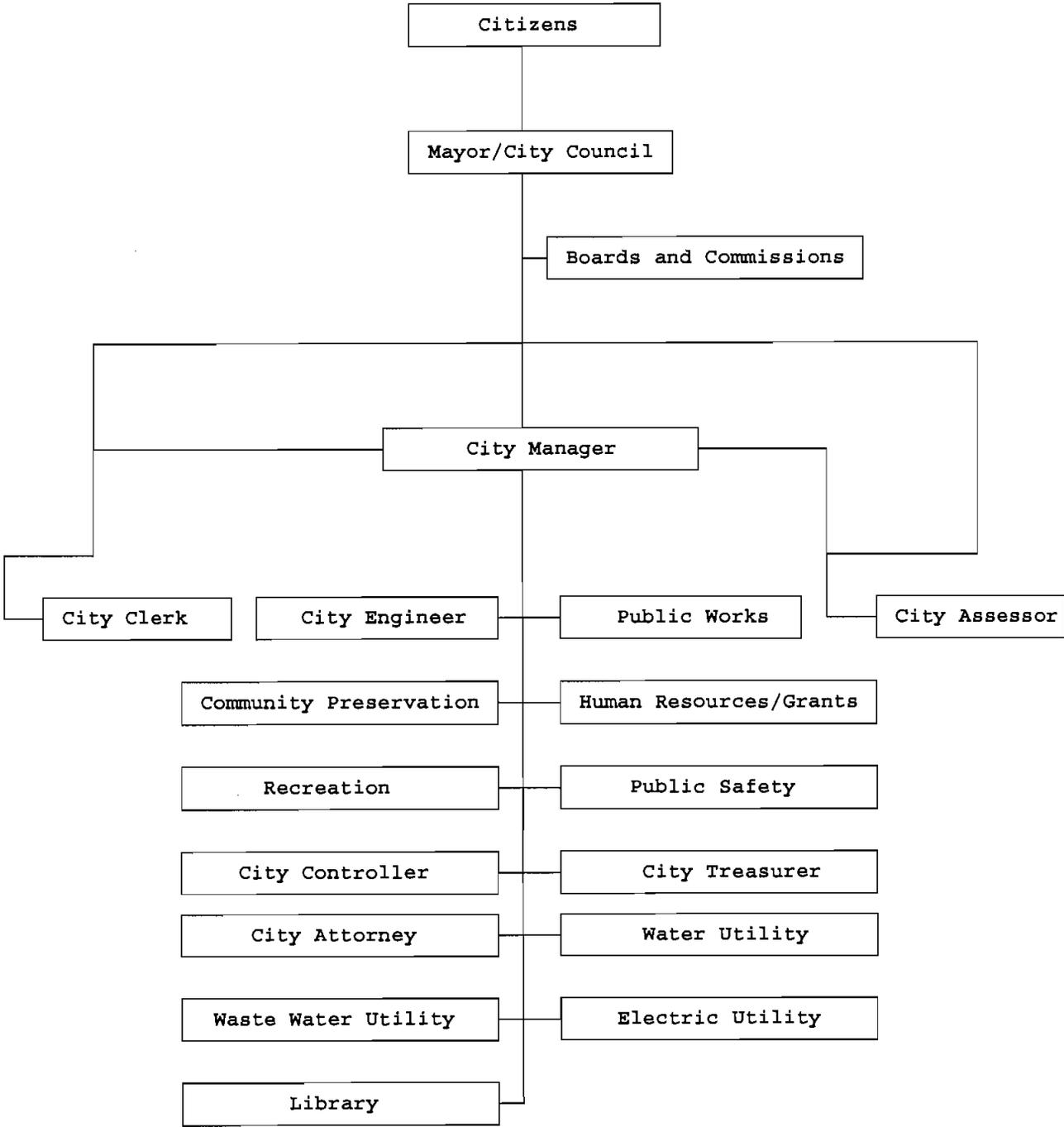
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INTRODUCTORY SECTION

The City of Escanaba, Michigan
Organization Chart



CITY COUNCIL

() Expiration of Term

Mayor

Leo J. Evans (2009)

Members of the City Council

Gilbert X. Cheves - Mayor Pro-Tem (2011)

Wayne E. Heikkila (2009)

Brady L. Nelson (2011)

Thomas P. Warstler (2009)

ADMINISTRATION

City Manager

James V. O'Toole

Clerk

Robert S. Richards, CMC

Public Safety Director

Jim Hansen

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 18, 2007

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, 2007, 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 fifth 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 18 and 20.

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 25, 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
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, 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, 2007, 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, 2007, 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.

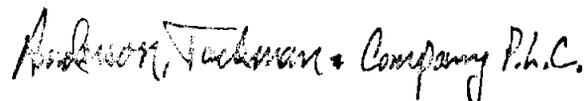
In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007, on our consideration of the City of Escanaba's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

The management's discussion and analysis and budgetary comparison information on pages 10 through 14 and 61 through 75, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escanaba, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Certified Public Accountants

December 18, 2007

Management Discussion and Analysis

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

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

The introduction of “government-wide” reporting is required under Governmental Accounting Standards Board Statement No. 34 (GASB 34). All of the contents of this document through page 81 are required under GASB 34; information following that point is considered supplementary information.

The reporting methodology of the City's CAFR is based upon the concept of a pyramid; the top of the pyramid is represented on pages 15 and 16 – 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 60 (Required Supplemental Information) on. Because an understanding of the reporting hierarchy will assist the reader in understanding the financial results of the City's operations, the following information will review the individual government statements in an order which provides a transition from “funds-type” reporting to “government-wide” reporting.

Governmental Funds Balance Sheet

This document, found on page 17, summarizes the assets and liabilities for all funds which are accounted for under the traditional governmental form of accounting, as of June 30, 2007. 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. Detail 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 18, illustrates the process of converting the Governmental Funds Balance Sheet to the corresponding amounts used in the “government -wide” Statement of Net Assets (page 15). Essentially, the process recognizes the capital assets, the corresponding depreciation and the long-term borrowing which have been created by governmental funds over the years. To put it in another way, rather than treating capital expenditures as another operating expense, it treats these expenditures as an asset which will be utilized into future years.

It can be noted that the total net assets calculated on this schedule – over \$37 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 19, summarizes the financial activities for all funds which are accounted for under the traditional governmental form of accounting, for the year ended June 30, 2007. As discussed previously, uses of available resources are treated as expenditures, regardless of the character of the expenditure. Detailed information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the traditional governmental accounting format.

During the year, the City saw an increase in the combined fund balances of these funds of nearly \$362,000. If the gain on sale of investments – which is discussed in Notes to Financial Statements 1(L) – is removed from this calculation, as it neither increases or decreases available spendable resources, the increase in fund balance falls to nearly \$318,000. Two of the “major” governmental funds – the street funds – saw an increase in fund balance, while the third, the General Fund, saw a decrease. While there were many factors which impacted the final results, the transfer of \$370,000 from the General Fund to the two street funds – for increased infrastructure improvement projects - had the largest impact.

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

This document, which can be found on page 20, illustrates the process of converting the traditional statement of revenues, expenditures and increases(decreases) in fund balance (page 19) to the corresponding amounts used in the “government -wide” Statement of Activities (page 16). Essentially, the process eliminates expenditures which create capital assets and reduce long-term debt and

recognizes depreciation expense and various transactions on a modified accrual basis. With this conversion, the City's traditional fund basis accounting system is transformed into financial statements which would mirror private sector accounting treatment. It can be noted that once this conversion process is completed, there is still a positive result in overall operations of \$1,204,000. This figure compares favorably to last year's converted results of \$ 208,000.

The remaining documents which are required under GASB 34 (pages 21-24) represent our enterprise and internal service funds. Because these funds have always been accounted for in a manner which mirrors private sector accounting, there is no need to "convert" this information, as was required with the governmental funds, prior to their inclusion in the "government-wide" financial statements reflected on pages 15 and 16. 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 15) summarizes the financial position of all City operations, modified as required, in a private sector format, as of June 30, 2007. Below is a summarized comparison of this year's statement to last year's:

Assets	<u>Y/E 6/30/2007</u>	<u>Y/E 6/30/2006</u>	<u>Yr. to Yr. Change</u>
Current Assets			
Cash/Investments	\$34,604,192	\$33,897,516	\$706,676
Receivables	7,463,852	5,332,665	2,131,187
Other Assets	3,176,176	3,178,693	(2,517)
Noncurrent Assets			
Restricted Assets	346,515	349,148	(2,633)
Capital Assets	96,346,729	93,676,945	2,669,784
Accumulated Depreciation	(45,783,474)	(43,841,700)	(1,941,774)
TOTAL ASSETS	<u>\$96,153,990</u>	<u>\$92,593,267</u>	<u>\$3,560,723</u>
Liabilities			
Current Liabilities	\$4,236,714	\$3,030,109	\$1,206,605
Noncurrent Liabilities	8,211,383	7,864,947	346,436
TOTAL LIABILITIES	<u>\$12,448,097</u>	<u>\$10,895,056</u>	<u>\$1,553,041</u>
NET ASSETS	<u>\$83,705,893</u>	<u>\$81,698,211</u>	<u>\$2,007,682</u>

As noted previously, governmental activities ended the fiscal year on a positive balance; business-type activities also saw an increase in net assets. The major enterprise funds - Electric, Water and Wastewater Utility Funds - all showed positive results, with the Electric Utility Fund showing the most dramatic change from the prior year. Approval of rate increases for electric services resulted in year end results of \$491,000, compared to a loss of \$2.4 million in the prior fiscal year.

It can be noted that cash and investments increased by over \$.7 million when compared to the prior year, with a decrease of nearly \$400,000 in the governmental activities and an increase of nearly \$1.1 million in the business-type activities. The decrease in governmental activities is due in part to increased loan activity from the City's revolving loan funds, which is part of the reason for the substantial increase in receivables. Other receivable increases resulted from utility billings and amounts due from the State in connection with the water plant renovation project.

Capital assets increased by nearly \$2.7 million, with governmental activities accounting for nearly \$1.5 million of this increase. After netting out depreciation expenses, net capital assets showed an overall increase of \$725,000.

Current liabilities showed a large increase, reflecting year-end payable increases in the Electric Utility and Water Utility Fund. The increase in the Electric Fund is due to coal shipments while the increase in the Water Utility Fund is due to the water plant renovation project.

The net effect of these various changes is that the City showed an overall increase in net assets of over \$2.0 million. Overall, governmental activities increased by over \$1.4 million, while business-type activities showed an increase of over \$.6 million.

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

Statement of Activities

As discussed previously, this document (page 16) summarizes the revenues and expenses for all City operations, modified as required in a private sector format, for the year ended June 30, 2007. As discussed in the Statement of Net Assets, the results of this document show a increase in net City assets of over \$2.0 million.

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

Total governmental activities expenses, modified under the private sector reporting format, were \$9.4 million for the year, an increase of \$161,000 (1.7%) from the prior year. Total expenses for business-type activities decreased by nearly \$875,000; the majority of the decrease occurred in the Electric Fund in the form of lower power costs.

Total *net* governmental activities expense, which represents the cost of activities after deducting revenues directly attributable to those activities, was nearly \$6.4 million. This represents a decrease of nearly \$300,000 from the prior year, despite the small increase in expenses. This results from

increases in recreation and street fund grant revenues.

General revenues, those which are not tied to a specific program or activity, increased by over \$1.4 million when compared to the prior year, despite yet another decrease in state shared revenues. The increase primarily reflected increases in property tax revenue (up \$200,000), interest earnings (up \$940,000) and the sale of City property (up \$275,000).

Long-Term Debt

The City borrowed nearly \$700,000 in long-term debt during the fiscal year, reflecting amounts used to finance the water plant renovation project. The City will borrow a total of \$2.95 million from the State of Michigan in order to complete this project.

The City made payments against prior long-term debt of over \$445,000; combined with the new borrowings, long-term debt increased \$255,000.

Subsequent Events

There were no material events which occurred between the end of fiscal year 6/30/07 and the date of this report. However, a lightning strike at the City's electric generating plant in May, 2007, will result in additional power costs and major repair costs (approximating \$1 million) during fiscal year 2007/08. These costs were not included in the 2007/08 budget, as they occurred after the formulation of the budget. While the costs will not impact the electric rates for 2007/08, they will impair the financial performance of the Electric Fund.

In general, the City continues to feel the impact of the overall economic slowdown which is affecting the State. 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, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Escanaba Housing Commission
ASSETS:				
Current assets:				
Cash and equivalents	\$ 329,045	\$ 27,212	\$ 356,257	\$ 62,318
Investments, at market	13,197,251	21,050,684	34,247,935	371,508
Receivables:				
Accounts	222,652	2,664,548	2,887,200	946
Mortgages, land contracts and other notes	2,482,772	-	2,482,772	-
Contracts for rental property	2,902	-	2,902	-
Special assessments	33,077	-	33,077	-
Accrued interest	155,369	235,732	391,101	-
Due from other funds	301,274	92,334	393,608	-
Due from other governments:				
State of Michigan	481,776	428,018	909,794	-
Local units	50,198	-	50,198	-
Advances to other funds	313,200	-	313,200	-
Real estate held for resale	8,200	-	8,200	-
Chemical inventory	-	14,417	14,417	-
Inventory	35,678	2,708,391	2,744,069	2,589
Prepaid expenses	211,786	197,704	409,490	22,825
	<u>17,825,180</u>	<u>27,419,040</u>	<u>45,244,220</u>	<u>460,186</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Investments, at market	-	346,515	346,515	-
Capital assets	39,031,265	57,315,464	96,346,729	7,142,501
Accumulated depreciation	<u>(13,874,096)</u>	<u>(31,909,378)</u>	<u>(45,783,474)</u>	<u>(4,616,094)</u>
	<u>25,157,169</u>	<u>25,752,601</u>	<u>50,909,770</u>	<u>2,526,407</u>
Net noncurrent assets				
TOTAL ASSETS	<u>\$ 42,982,349</u>	<u>\$ 53,171,641</u>	<u>\$ 96,153,990</u>	<u>\$ 2,986,593</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 353,900	\$ 1,249,626	\$ 1,603,526	\$ 33,116
Accrued liabilities	-	-	-	80,822
Accrued interest	46,431	21,501	67,932	-
Claims payable	438,222	-	438,222	-
Accrued salaries and fringes	315,285	273,559	588,844	-
Customer deposits	-	191,995	191,995	-
Due to other funds	92,534	301,274	393,808	-
Due to other governments	9,748	-	9,748	-
Advances from other funds	-	313,200	313,200	-
Deferred revenue	11,000	-	11,000	-
Compensated absences, current portion	164,689	-	164,689	-
Notes payable, current portion	23,750	-	23,750	11,492
Bonds payable, current portion	190,000	240,000	430,000	-
	<u>1,645,559</u>	<u>2,591,155</u>	<u>4,236,714</u>	<u>125,430</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	455,856	-	455,856	16,077
Note payable	142,502	-	142,502	64,049
Bonds payable	3,540,000	4,073,025	7,613,025	-
	<u>4,138,358</u>	<u>4,073,025</u>	<u>8,211,383</u>	<u>80,126</u>
Total noncurrent liabilities				
TOTAL LIABILITIES	<u>\$ 5,783,917</u>	<u>\$ 6,664,180</u>	<u>\$ 12,448,097</u>	<u>\$ 205,556</u>
NET ASSETS:				
Invested in capital assets, net of related debt	\$ 21,747,169	\$ 20,478,587	\$ 42,225,756	\$ 2,526,407
Restricted for:				
Capital projects	1,094,634	-	1,094,634	-
Debt service	-	346,515	346,515	-
Other purposes	1,539,518	-	1,539,518	-
Unrestricted	12,817,111	25,682,359	38,499,470	254,630
	<u>21,747,169</u>	<u>20,478,587</u>	<u>42,225,756</u>	<u>2,526,407</u>
TOTAL NET ASSETS	<u>\$ 37,198,432</u>	<u>\$ 46,507,461</u>	<u>\$ 83,705,893</u>	<u>\$ 2,781,037</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/Programs:	Net (Expense) Revenue and Changes in Net Assets							Component Unit
	Expenses	Program Revenues			Primary Government		Total	
		Fees, Fines & charges for services	Operating grants and contri- butions	Capital grants and contri- butions	Govern- mental activities	Business- type activities		
Primary Government:								
Governmental activities:								
General government	\$ 1,330,392	\$ 79,094	\$ 41	\$ -	\$(1,251,257)	-	\$(1,251,257)	-
Public safety	3,927,956	679,849	121,837	1,620	(3,124,650)	-	(3,124,650)	-
Highways, streets and public works	1,799,190	66,781	1,023,217	291,500	(417,692)	-	(417,692)	-
Sanitation	731,388	194,504	-	-	(536,884)	-	(536,884)	-
Community services	267,672	-	-	-	(267,672)	-	(267,672)	-
Recreation	414,603	58,919	-	246,433	(109,251)	-	(109,251)	-
Cultural	473,586	19,626	226,894	-	(227,066)	-	(227,066)	-
Urban redevelopment and housing	13,198	35,714	-	-	22,516	-	22,516	-
Economic development	338,589	-	18,000	-	(320,589)	-	(320,589)	-
Other functions	10,508	-	-	-	(10,508)	-	(10,508)	-
Interest on long-term debt	138,868	-	-	-	(138,868)	-	(138,868)	-
Total governmental activities	<u>9,445,950</u>	<u>1,134,487</u>	<u>1,389,989</u>	<u>539,553</u>	<u>(6,381,921)</u>	<u>-</u>	<u>(6,381,921)</u>	<u>-</u>
Business-type activities:								
Electric utility	15,558,321	15,458,473	-	9,200	-	(90,648)	(90,648)	-
Water utility	1,474,476	1,419,023	-	-	-	(55,453)	(55,453)	-
Waste water utility	1,140,841	1,072,101	-	-	-	(68,740)	(68,740)	-
Marina activity	283,254	254,089	-	-	-	(29,165)	(29,165)	-
Total business-type activities	<u>18,456,892</u>	<u>18,203,686</u>	<u>-</u>	<u>9,200</u>	<u>-</u>	<u>(244,006)</u>	<u>(244,006)</u>	<u>-</u>
Total primary government	<u>\$27,902,842</u>	<u>\$19,338,173</u>	<u>\$ 1,389,989</u>	<u>\$ 548,753</u>	<u>(6,381,921)</u>	<u>(244,006)</u>	<u>(6,625,927)</u>	<u>-</u>
Component Unit:								
Escanaba Housing Commission	<u>\$ 953,754</u>	<u>\$ 429,731</u>	<u>\$ 224,663</u>	<u>\$ 119,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180,128)</u>
General revenues:								
Property taxes					4,425,974	-	4,425,974	-
State revenue sharing					1,503,599	-	1,503,599	-
Unrestricted grants and contributions					25,411	-	25,411	-
Unrestricted gain (loss) on sale of assets					(7,557)	-	(7,557)	-
Unrestricted investment earnings (losses)					267,039	1,206,572	1,473,611	16,769
Miscellaneous					1,000,268	27,168	1,027,436	38,006
Transfers					371,290	(371,290)	-	-
Total general revenues and transfers					<u>7,586,024</u>	<u>862,450</u>	<u>8,448,474</u>	<u>54,775</u>
Changes in net assets					<u>1,204,103</u>	<u>618,444</u>	<u>1,822,547</u>	<u>(125,353)</u>
Net assets, beginning of year					35,809,194	45,889,017	81,698,211	2,906,390
Prior period adjustment					185,135	-	185,135	-
Net assets, beginning of year, as restated					<u>35,994,329</u>	<u>45,889,017</u>	<u>81,883,346</u>	<u>2,906,390</u>
Net assets, end of year					<u>\$37,198,432</u>	<u>\$46,507,461</u>	<u>\$83,705,893</u>	<u>\$ 2,781,037</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2007

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and equivalents	\$ 44,592	\$ -	\$ -	\$ 112,045	\$ 156,637
Investments, at market	3,809,916	673,768	552,932	5,219,422	10,256,038
Receivables:					
Accounts, net of bad debt allowance	196,490	-	-	26,097	222,587
Mortgages, land contracts and other notes	-	-	-	2,482,772	2,482,772
Contracts for rental property	2,902	-	-	-	2,902
Special assessments	30,572	-	2,505	-	33,077
Accrued interest	49,511	6,644	7,340	58,518	122,013
Due from other funds:					
Local Street Fund	-	-	-	142,874	142,874
General Fund	-	-	-	3,000	3,000
Grants Fund	92,769	-	-	-	92,769
Sanitary Landfill Fund	10,504	-	-	-	10,504
Delta County Central Dispatch Authority	31,698	-	-	-	31,698
Water Fund	-	-	170,491	-	170,491
Waste Water Fund	-	-	130,783	-	130,783
Due from other governments:					
State of Michigan	213,946	113,286	42,352	112,192	481,776
Local units	-	-	-	50,198	50,198
Advances to other funds	-	-	-	313,200	313,200
Real estate held for resale	-	-	-	8,200	8,200
Inventory	35,678	-	-	-	35,678
Prepaid expenses	1,155	-	-	200	1,355
TOTAL ASSETS	\$ 4,519,733	\$ 793,698	\$ 906,403	\$ 8,528,718	\$ 14,748,552
LIABILITIES:					
Accounts payable	\$ 110,402	\$ 3,367	\$ 188,679	\$ 18,420	\$ 320,868
Accrued salaries and fringes	290,931	-	-	-	290,931
Due to other funds	3,200	-	142,874	227,305	373,379
Due to other governments	9,748	-	-	-	9,748
Deferred revenue	89,120	-	2,505	11,000	102,625
TOTAL LIABILITIES	503,401	3,367	334,058	256,725	1,097,551
FUND BALANCES:					
Reserved for:					
Inventory	35,678	-	-	-	35,678
Prepaid expenditures	1,155	-	-	200	1,355
Principal	-	-	-	1,094,634	1,094,634
Long-term notes receivable	-	-	-	2,482,772	2,482,772
Revolving loans	-	-	-	966,257	966,257
UPSET expenses	-	-	-	110,059	110,059
Land held for resale	-	-	-	8,200	8,200
Future DDA projects	-	-	-	463,202	463,202
Unreserved, reported in:					
General Fund	3,979,499	-	-	-	3,979,499
Special revenue funds	-	790,331	572,345	3,146,669	4,509,345
TOTAL FUND BALANCES	4,016,332	790,331	572,345	8,271,993	13,651,001
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,519,733	\$ 793,698	\$ 906,403	\$ 8,528,718	\$ 14,748,552

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, 2007

Total fund balances for governmental funds \$ 13,651,001

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	\$	770,245	
Land improvements		5,274,556	
Buildings and improvements		2,902,368	
Parking lots		397,884	
Vehicles and equipment		2,277,447	
Infrastructure		14,975,709	
Less:			
Accumulated depreciation		<u>(8,184,924)</u>	18,413,285

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. 6,150,135

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	\$	(817)	
Bonds payable		(320,000)	
Note payable		(166,252)	
Compensated absences and FICA		<u>(620,545)</u>	(1,107,614)

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. 91,625

Total net assets of governmental activities \$37,198,432

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, 2007

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,151,376	\$ -	\$ -	\$ 282,758	\$ 4,434,134
Licenses and permits	1,550	-	-	-	1,550
Local sources	16,618	-	-	185,833	202,451
State grants	1,562,020	765,289	317,238	28,391	2,672,938
Federal sources	62,826	82,968	149,222	18,000	313,016
Charges for services	215,866	-	-	757,891	973,757
Fines and forfeitures	35,665	-	-	19,875	55,540
Interest and dividends	-	-	-	54,546	54,546
Miscellaneous	341,388	28,215	29,767	974,685	1,374,055
TOTAL REVENUES	6,387,309	876,472	496,227	2,321,979	10,081,987
EXPENDITURES:					
General government	1,121,082	-	-	-	1,121,082
Public safety	3,557,000	-	-	560,764	4,117,764
Highways, streets and public works	561,875	839,281	732,578	264,143	2,397,877
Sanitation	731,388	-	-	-	731,388
Community services	21,148	-	-	246,515	267,663
Recreation	593,115	-	-	-	593,115
Cultural	4,701	-	-	471,320	476,021
Urban redevelopment and housing	-	-	-	13,198	13,198
Economic development	-	-	-	333,119	333,119
Other functions	10,508	-	-	-	10,508
Debt service	-	-	-	73,202	73,202
TOTAL EXPENDITURES	6,600,817	839,281	732,578	1,962,261	10,134,937
EXCESS REVENUES (EXPENDITURES)	(213,508)	37,191	(236,351)	359,718	(52,950)
OTHER FINANCING SOURCES (USES):					
Gain (loss) on sale of investments	18,042	1,741	(1,168)	24,996	43,611
Operating transfers in	709,237	175,000	462,527	253,747	1,600,511
Operating transfers out	(623,706)	(100,000)	-	(505,515)	(1,229,221)
TOTAL OTHER FINANCING SOURCES (USES)	103,573	76,741	461,359	(226,772)	414,901
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(109,935)	113,932	225,008	132,946	361,951
Fund balances, beginning of year	4,126,267	676,399	347,337	8,139,047	13,289,050
FUND BALANCES, END OF YEAR	\$ 4,016,332	\$ 790,331	\$ 572,345	\$ 8,271,993	\$ 13,651,001

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, 2007

Net changes in fund balances - total governmental funds	\$ 361.951
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 (\$2,102,942) exceeded depreciation expense (\$1,128,726) and the removal of fixed assets (\$58,698)	915.518
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.	(120.069)
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	52.000
CDBG Program	23.751
This amount reflects the deferred revenue reported in the fund financial statements that is recognized as revenue in the Statement of Activities.	(8.160)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than when it accrues. This adjustment combines the following net changes:	
Compensated absences and FICA	(21.970)
Accrued interest on debt	<u>1.082</u>
Changes in net assets of governmental activities	<u>\$ 1,204.103</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2007

	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	\$ 413	\$ -	\$ -	\$ 26,799	\$ 27,212	\$ -
Investments, at market	18,417,930	258,712	2,313,833	60,209	21,050,684	2,941,213
Receivables:						
Accounts	2,315,872	203,069	142,546	3,061	2,664,548	65
Accrued interest	203,916	4,659	26,148	1,009	235,732	33,356
Chemical inventory	-	7,987	6,430	-	14,417	-
Inventories, net of obsolescence allowance	2,612,175	81,118	-	15,098	2,708,391	-
Due from other funds	-	49,155	43,179	-	92,334	-
Due from other governments	-	428,018	-	-	428,018	-
Prepaid expenses	197,704	-	-	-	197,704	210,431
Cash on deposit	-	-	-	-	-	172,408
Total current assets	<u>23,748,010</u>	<u>1,032,718</u>	<u>2,532,136</u>	<u>106,176</u>	<u>27,419,040</u>	<u>3,357,473</u>
Restricted assets:						
Operation and maintenance account:						
Investments, at market	-	117,781	92,884	-	210,665	-
Replacement account:						
Investments, at market	-	-	50,000	-	50,000	-
Bond reserve account:						
Investments, at market	-	-	85,850	-	85,850	-
Total restricted assets	<u>-</u>	<u>117,781</u>	<u>228,734</u>	<u>-</u>	<u>346,515</u>	<u>-</u>
Property, plant and equipment	28,625,677	14,323,605	11,748,810	2,617,372	57,315,464	12,433,056
Less accumulated depreciation	(20,936,839)	(5,110,512)	(5,039,005)	(823,022)	(31,909,378)	(5,689,172)
Net property, plant and equipment	<u>7,688,838</u>	<u>9,213,093</u>	<u>6,709,805</u>	<u>1,794,350</u>	<u>25,406,086</u>	<u>6,743,884</u>
TOTAL ASSETS	<u>\$31,436,848</u>	<u>\$10,363,592</u>	<u>\$ 9,470,675</u>	<u>\$ 1,900,526</u>	<u>\$53,171,641</u>	<u>\$10,101,357</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 1,007,282	\$ 232,999	\$ 2,156	\$ 7,189	\$ 1,249,626	\$ 33,032
Customer deposits	191,995	-	-	-	191,995	-
Claims payable	-	-	-	-	-	438,222
Accrued salaries and fringes	88,084	90,476	94,999	-	273,559	24,354
Accrued interest payable	-	15,094	6,407	-	21,501	45,614
Due to other funds	-	170,491	130,783	-	301,274	-
Current portion of long-term debt	-	115,000	125,000	-	240,000	150,000
Total current liabilities	<u>1,287,361</u>	<u>624,060</u>	<u>359,345</u>	<u>7,189</u>	<u>2,277,955</u>	<u>691,222</u>
Long-term liabilities:						
Bonds payable	-	2,998,025	1,075,000	-	4,073,025	3,260,000
Advances from other funds	-	-	-	313,200	313,200	-
Total long-term liabilities	<u>-</u>	<u>2,998,025</u>	<u>1,075,000</u>	<u>313,200</u>	<u>4,386,225</u>	<u>3,260,000</u>
TOTAL LIABILITIES	<u>1,287,361</u>	<u>3,622,085</u>	<u>1,434,345</u>	<u>320,389</u>	<u>6,664,180</u>	<u>3,951,222</u>
NET ASSETS:						
Invested in capital assets, net of related debt	7,688,838	5,929,577	5,379,022	1,481,150	20,478,587	3,333,884
Restricted for:						
Debt service	-	117,781	228,734	-	346,515	-
Unrestricted	<u>22,460,649</u>	<u>694,149</u>	<u>2,428,574</u>	<u>98,987</u>	<u>25,682,359</u>	<u>2,816,251</u>
Total net assets	<u>30,149,487</u>	<u>6,741,507</u>	<u>8,036,330</u>	<u>1,580,137</u>	<u>46,507,461</u>	<u>6,150,135</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$31,436,848</u>	<u>\$10,363,592</u>	<u>\$ 9,470,675</u>	<u>\$ 1,900,526</u>	<u>\$53,171,641</u>	<u>\$10,101,357</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, 2007

	<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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,649
Cobra contributions	-	-	-	-	-	9,063
City's contribution for employees	-	-	-	-	-	1,259,715
Charges for services	15,458,473	1,419,023	1,072,101	253,241	18,202,838	-
Equipment rental	-	-	-	-	-	953,267
Provision for self-insurance	-	-	-	-	-	166,104
Miscellaneous	-	-	-	848	848	442,188
TOTAL OPERATING REVENUES	<u>15,458,473</u>	<u>1,419,023</u>	<u>1,072,101</u>	<u>254,089</u>	<u>18,203,686</u>	<u>3,041,986</u>
OPERATING EXPENSES:						
General government	-	-	-	-	-	2,738,472
Enterprises	-	-	-	203,350	203,350	-
Capital projects	-	-	-	-	-	13,578
Production	12,944,184	289,971	301,467	-	13,535,622	-
Transmission and distribution	371,524	190,502	58,134	-	620,160	-
Station	-	-	18,646	-	18,646	-
Customer service	29,087	38,094	23,773	-	90,954	-
Administrative and general	925,000	501,120	367,369	-	1,793,489	-
Provision for depreciation	851,985	244,339	202,562	62,612	1,361,498	428,831
Overhead to utilities	436,541	149,355	142,662	-	728,558	-
TOTAL OPERATING EXPENSES	<u>15,558,321</u>	<u>1,413,381</u>	<u>1,114,613</u>	<u>265,962</u>	<u>18,352,277</u>	<u>3,180,881</u>
OPERATING INCOME (LOSS)	<u>(99,848)</u>	<u>5,642</u>	<u>(42,512)</u>	<u>(11,873)</u>	<u>(148,591)</u>	<u>(138,895)</u>
NON-OPERATING REVENUE (EXPENSES):						
Gain (loss) on sale of investments	77,208	2,237	7,524	221	87,190	10,546
Rent received	-	27,168	-	-	27,168	-
Gain (loss) on sale of property	-	-	-	-	-	(7,557)
Interest earnings	977,143	22,742	116,419	3,078	1,119,382	158,336
Interest expense	-	(61,095)	(26,228)	(17,292)	(104,615)	(142,499)
Operating transfers out	(463,624)	-	-	-	(463,624)	(104,411)
Operating transfers in	-	49,155	43,179	-	92,334	104,411
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>590,727</u>	<u>40,207</u>	<u>140,894</u>	<u>(13,993)</u>	<u>757,835</u>	<u>18,826</u>
CHANGE IN NET ASSETS	490,879	45,849	98,382	(25,866)	609,244	(120,069)
Total net assets, beginning of year	29,649,408	6,695,658	7,937,948	1,606,003	45,889,017	6,270,204
Add: Contributed capital	9,200	-	-	-	9,200	-
TOTAL NET ASSETS, END OF YEAR	<u>\$30,149,487</u>	<u>\$ 6,741,507</u>	<u>\$ 8,036,330</u>	<u>\$ 1,580,137</u>	<u>\$46,507,461</u>	<u>\$ 6,150,135</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended June 30, 2007

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,480,643
Cash received from customers	14,834,608	-	-	253,467	15,088,075	-
Cash received from other funds for purchase of receivables	-	1,399,786	1,065,836	-	2,465,622	-
Cash received from other funds for services	-	-	7,670	-	7,670	1,560,853
Cash payments to suppliers for goods and services	(13,556,745)	(324,607)	(427,644)	(136,544)	(14,445,540)	(749,981)
Cash payments to employees for services	(497,002)	(625,252)	(443,769)	(58,725)	(1,624,748)	(134,685)
Cash payments to other funds for services	(19,505)	(45,051)	(30,652)	(7,516)	(102,724)	-
Cash payment of benefits	-	-	-	-	-	(1,811,663)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	761,356	404,876	171,441	50,682	1,388,355	345,167
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	12,292	-	-	(35,092)	(22,800)	-
Operating transfers out	(463,624)	-	-	-	(463,624)	(104,411)
Operating transfers in	-	-	-	-	-	104,411
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(451,332)	-	-	(35,092)	(486,424)	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from revenue bonds	-	270,007	-	-	270,007	-
Proceeds from the sale of equipment	-	-	-	-	-	3,600
Contribution of capital assets	9,200	-	-	-	9,200	-
Acquisition and construction of capital assets	(248,525)	(707,352)	-	-	(955,877)	(356,828)
Principal paid on bond maturities	-	(115,000)	(115,000)	-	(230,000)	(150,000)
Interest paid	-	(61,813)	(26,831)	(17,292)	(105,936)	(143,749)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(239,325)	(614,158)	(141,831)	(17,292)	(1,012,606)	(646,977)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	77,208	2,237	7,524	221	87,190	-
Interest received	947,249	22,740	111,598	2,901	1,084,488	163,914
Rent received	-	27,168	-	-	27,168	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,024,457	52,145	119,122	3,122	1,198,846	163,914
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,095,156	(157,137)	148,732	1,420	1,088,171	(137,896)
Cash and equivalents, beginning of year	17,323,187	533,630	2,393,835	85,588	20,336,240	3,079,109
CASH AND EQUIVALENTS, END OF YEAR	\$ 18,418,343	\$ 376,493	\$ 2,542,567	\$ 87,008	\$ 21,424,411	\$ 2,941,213
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (99,848)	\$ 5,642	\$ (42,512)	\$ (11,873)	\$ (148,591)	\$ (138,895)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	851,985	244,339	202,562	62,612	1,361,498	428,831
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(645,501)	(19,237)	1,405	(622)	(663,955)	16,414
(Increase) decrease in inventory	2,750	7,176	(2,433)	1,561	9,054	-
(Increase) decrease in prepaid expenses	(6,700)	-	-	-	(6,700)	-
Increase (decrease) in accounts payable	638,977	155,705	(3,261)	(996)	790,425	37,820
Increase (decrease) in accruals	(1,943)	11,251	15,680	-	24,988	997
Increase (decrease) in customer deposits	21,636	-	-	-	21,636	-
Total adjustments	861,204	399,234	213,953	62,555	1,536,946	484,062
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 761,356	\$ 404,876	\$ 171,441	\$ 50,682	\$ 1,388,355	\$ 345,167

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	Pension Trust Fund	Private- purpose Trusts	Agency Funds
ASSETS:			
Cash and equivalents	\$ 171	\$ -	\$ 2,836
Investments, at market	20,586,247	390,612	-
Receivables:			
Accrued interest	-	4,262	-
Due from other funds:			
General Fund	<u>200</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 20,586,618</u>	<u>\$ 394,874</u>	<u>\$ 2,836</u>
LIABILITIES:			
Accounts payable	\$ 185,163	\$ 937	\$ -
Due to other governments	<u>-</u>	<u>-</u>	<u>2,836</u>
TOTAL LIABILITIES	<u>\$ 185,163</u>	<u>\$ 937</u>	<u>\$ 2,836</u>
NET ASSETS:			
Reserved for:			
Bonifas Trust Fund	\$ -	\$ 123,106	
Bezold Trust Fund	-	270,831	
Employee's retirement system	<u>20,401,455</u>	<u>-</u>	
TOTAL NET ASSETS	<u>\$ 20,401,455</u>	<u>\$ 393,937</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2007

	Pension Trust Fund	Private- purpose Trusts
OPERATING REVENUES:		
Interest and dividends	\$ 813,705	\$ 19,100
Gain (loss) on sale of investments	1,996,182	-
Contributions:		
City of Escanaba	489,661	-
Employees	<u>139,259</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>3,438,807</u>	<u>19,100</u>
OPERATING EXPENSES:		
Administrative and general	10,014	-
Benefits and refunds of member contributions	1,268,623	-
Cultural	<u>-</u>	<u>9,403</u>
TOTAL OPERATING EXPENSES	<u>1,278,637</u>	<u>9,403</u>
OPERATING INCOME	<u>2,160,170</u>	<u>9,697</u>
OTHER FINANCING SOURCES (USED):		
Gain (loss) on sales of investments	<u>-</u>	<u>1,439</u>
NET INCOME (LOSS)	2,160,170	11,136
Net assets, beginning of year	<u>18,241,285</u>	<u>382,801</u>
NET ASSETS, END OF YEAR	<u>\$ 20,401,455</u>	<u>\$ 393,937</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, 2007

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, 2006. 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, 2007

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, 2007

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 is tax 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, 2007

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, 2007

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, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dental Fund - This fund is used to account for the City's dental self-insurance program. During the fiscal year this fund was closed into the Health Insurance Fund.

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, 2007

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, 2007

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.
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 cost, which approximates market value, 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	5 - 40 years
Distribution system and equipment	3 - 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	5 - 15 years
Marina docks, piers and walls	20 - 75 years
Harbor Master building	40 - 50 years

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, 2007

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, 2007

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, 2007

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 May 18, 2006, and as amended by the Council on June 21, 2007.

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, 2007

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, 2007.

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, 2007

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	\$ (109,935)	\$ (18,042)	\$ (127,977)
Major Street Fund	113,932	(1,741)	112,191
Local Street Fund	225,008	1,168	226,176
Parking Maintenance Fund	116	20	136
Downtown Development Authority	(67,883)	(2,738)	(70,621)
Brownfield Fund	(4,145)	(36)	(4,181)
Drug Law Enforcement Fund	3,439	(42)	3,397
Delta County Central Dispatch Authority	-	149	149
Library Fund	12,170	(473)	11,697
Housing Rehab (Fund 274)	27,656	17	27,673
Grants Fund	-	-	-
UDAG/DIAL Grant Fund	(73,324)	(3,648)	(76,972)
E.D.A. Revolving Loan Fund	80,200	(3,660)	76,540
Farmers Home Grant Fund	4,079	(273)	3,806
M.S.C. Revolving Loan Fund II	40,387	(2,817)	37,570
Land Development Fund	119,196	(5,854)	113,342
Sanitary Landfill Fund	1,592	(323)	1,269
Electric Utility Fund	490,879	(77,208)	413,671
Water Utility Fund	45,849	(2,237)	43,612
Waste Water Utility Fund	98,382	(7,524)	90,858
Marina Fund	(25,866)	(221)	(26,087)
Escanaba Building Authority	24,331	(1,003)	23,328
Motor Vehicle and Equipment Fund	28,234	(3,577)	24,657
Office Equipment Fund	2,956	(36)	2,920
Risk Retention Fund	(32,531)	(319)	(32,850)
Dental Fund	4,411	-	4,411
Health Insurance Fund	(77,118)	1,243	(75,875)
Worker's Compensation Fund	19,780	(5,208)	14,572
Unemployment Compensation Fund	(90,132)	(1,646)	(91,778)
Catherine Bonifas Trust	6,320	(412)	5,908
Bezold Trust Fund	4,816	(1,027)	3,789
Gas Retirement Fund	(10,537)	(5,318)	(15,855)

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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2 - BUDGET NONCOMPLIANCE

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

The following function in the General Fund was overspent:

Band	\$ 175
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The following Special Revenue Fund had an excess of expenditures over appropriations:

Sanitary Landfill Fund	\$ 988
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NOTE 3 - CASH, DEPOSITS AND INVESTMENTS

Cash balances of most City funds are pooled for investment purposes. Interest earnings and any net short-term gains on sales of investments purchased with pooled funds are allocated monthly to each of the funds based on their daily equity balance. The carrying amount of pooled cash and investments on June 30, 2007 and 2006 was \$35,293,307 and \$34,671,410, 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, 2007 and 2006 was \$20,586,418 and \$18,333,419, 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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

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, 2007, the carrying amount of the City's deposits was \$729,294 and the bank balance was \$1,025,437. Of the bank balance, \$312,407 was covered by federal depository insurance and \$713,030 was uninsured and uncollateralized. Cash and equivalents on the statement of net assets also includes \$3,725 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.

A reconciliation of cash and investments to bank deposits and total investments noted on the following page is as follows:

Government-wide Statement of Net Assets

Presentation:

Cash and equivalents	\$ 183,849
Investments, at market	34,247,935
Cash on deposit	172,408
Restricted cash and investments	<u>346,515</u>
Subtotal	<u>34,950,707</u>

Statement of Fiduciary Net Assets

Presentation:

Cash and equivalents	3,007
Investments, at market	<u>20,976,859</u>
Subtotal	<u>20,979,866</u>
TOTAL	<u>\$ 55,930,573</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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

The following schedule lists the investments and maturities of the City as of June 30, 2007:

	<u>Market</u>	<u>Investment Maturities (In Years)</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	\$ 3,187,010	\$1,465,691	\$ 956,587	\$ 764,732	\$ -
U. S. Agencies	14,766,700	-	5,944,700	8,822,000	-
CD's listed as investments	12,886,589	6,700,621	6,185,968	-	-
Total	<u>\$30,840,299</u>	<u>\$8,166,312</u>	<u>\$13,087,255</u>	<u>\$9,586,732</u>	<u>\$ -</u>

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:	
Merrill Lynch	\$ 2,750,048
Wells Fargo	1,020,960
Pension Funds:	
Mutual Funds:	
Vanguard Small Cap Index Fund	2,005,605
Eaton Vance Fund of Boston	1,516,764
Vanguard 500 Index Fund	6,004,378
Vanguard Total Bond Market Index Fund	5,115,286
JP Morgan Mid Cap Value Fund	4,434,185
Dimensional International Value Fund	1,510,029
	<u>\$24,357,255</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 investment policy follows state law.

Credit Risk - The City's and the PSO's investment policy follows state law. Of the U.S. Agency investments listed above \$5,854,180 were rated AAA by Standard & Poor's. The remainder was not separately rated. The money market funds held by the City and the mutual funds held by the PSO were not separately rated.

Custodial Credit Risk - The City's investment policy states that brokerages offering securities to the City are required to maintain all securities in a separate account and to not aggregate the City's securities with those of other account holders. The PSO's investment policy follows state law.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

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, 2007, the City had 41.8% 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, 2007, the City had no funds invested in either commercial paper or repurchase agreements.

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

NOTE 4 - UTILITY RECEIVABLES

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

Billed Receivables	\$ 1,603,904
Unbilled Receivables	<u>1,109,134</u>
Total Receivables	2,713,038
Less: Allowance for doubtful accounts	<u>(51,551)</u>
Net Receivables	<u>\$ 2,661,487</u>

The City's Sanitary Landfill Special Revenue Fund also shows \$13,278 of billed receivables and \$11,614 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, 2007 and 2006 consist of the following:

<u>Debtor</u>	<u>Original Amount of Loan</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Collateral</u>	<u>Balance June 30,</u>	
					<u>2007</u>	<u>2006</u>
<u>UDAG/DIAL Grant Fund:</u>						
DIAL Enterprises	\$1,221,264	(b)	(b)	Real Estate	\$ 733,267	\$ 772,451
K & D Enterprises	5,985	7.0%	239(a)	Real Estate	666	1,383
DDD & S Facade Loan	20,000	0.0%	500(a)	Real Estate	3,000	5,000
Golden Comb	10,000	0.0%	357(a)	Real Estate	-	1,429
Pioneer TV Facade Loan	10,000	0.0%	250(a)	Real Estate	1,500	2,750
E&S Eisenberger Facade Loan	10,015	0.0%	357(a)	Real Estate	-	64

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

Debtor	Original Amount of Loan	Inte- rest Rate	Monthly Payment	Collateral	Balance June 30,	
					2007	2006
Roberta Jo and Paul Viau	\$ 10,000	0.0%	357(a)	Real Estate	\$ 7,500	\$ 8,929
DeGrand Enterprises	10,000	0.0%	357(a)	Real Estate	7,500	8,571
Benoit's Glass & Lock	10,000	0.0%	57(a)	Real Estate	-	1,368
William & Donna Perron	10,000	0.0%	305(a)	Real Estate	694	1,733
Barbara Dorn/Al Gossan	10,000	0.0%	357(a)	Real Estate	-	2,143
Rick and Judy Jensen	10,000	0.0%	357(a)	Real Estate	8,929	10,000
Fyhr Enterprises	8,288	0.0%	296(a)	Real Estate	1,184	2,368
Kitchen Place	10,000	0.0%	357(a)	Real Estate	-	4,243
Ed and Suzell Eisenberger	9,243	0.0%	330(a)	Real Estate	4,301	4,621
Lawrence and Karen Anderson	10,000	0.0%	357(a)	Real Estate	4,121	5,843
Clare Bedding	8,925	0.0%	319(a)	Real Estate	3,188	4,463
Boomer's/Crawford/Hoskings	35,000	4.75%	491(a)	Real Estate	20,809	21,316
Richard Malone	10,000	0.0%	357(a)	Real Estate	5,400	6,439
Craig Woerpel	10,000	0.0%	357(a)	Real Estate	5,831	8,256
Tom & Connie Harris	10,000	0.0%	357(a)	Real Estate	5,736	7,196
Swedish Pantry	9,742	0.0%	348(a)	Real Estate	5,915	7,307
Pioneer TV Facade Loan #2	10,000	0.0%	357(a)	Real Estate	6,786	9,750
Wedding Center/Ray Krusic	10,000	0.0%	357(a)	Real Estate	7,500	8,929
Kenneth Schwalbach	10,000	0.0%	357(a)	Real Estate	8,571	9,643
Tim Kitchen	21,000	5.75%	304	Real Estate	-	18,254
Sviland Paint	10,000	0.0%	357(a)	Real Estate	9,008	-
Wickerts/Cashen	52,000	8.25%	392	Real Estate	31,319	-
FUND TOTALS					882,725	934,449
<u>EDA Revolving Loan Fund:</u>						
E.M.P., Inc.	700,000	4.75%	13,130	All Assets	-	141,043
RT Mfg.	235,000	4.0%	4,328	Promissory Note	91,346	138,126
Michigan Meats	335,000	5.75%(c)	2,030	Promissory Note	338,604	344,644
Michigan Meats	30,000	6.50%(c)	344	Promissory Note	30,000	-
EMP, Inc.	500,000	7.25%	9,960	All Assets	460,953	-
FUND TOTALS					920,903	623,813
<u>M.S.C. Revolving Loan Fund II:</u>						
Escanaba Foundation	62,500	8.0%	523	Hanger Building	27,495	27,495
M & M Enterprises	189,720	6.0%	2,772	Promissory Note	7,631	7,790
E & S Eisenberger	108,800	8.5%	1,004	All Assets	64,608	73,628
EMP, Inc.	400,000	4.75%	7,503	All Assets	-	80,597
P&B Associates	123,000	4.5%	910	Promissory Note	118,457	118,747
EMP, Inc.	500,000	7.25%	9,960	All Assets	460,953	-
FUND TOTALS					679,144	308,257
TOTALS					\$2,482,772	\$1,866,519

(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 will be made. For the period December 1, 2003 to December 1, 2008, payments of principal and interest at 6 percent in the amount of \$7,354 will be made. On December 1, 2008, the note will mature, at which time the entire unpaid balance of approximately \$662,000 will be due.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

- (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 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, 2006 and 2007, total delinquent real property taxes sold to the County totaled \$145,083 and \$169,240, respectively.

NOTE 7 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Retirements</u> <u>and other</u> <u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Land, not being depreciated	\$ 1,210,886	\$ 190,867	\$ 5,777	\$ 1,395,976
Land improvements	5,003,272	283,702	12,418	5,274,556
Buildings and improvements	9,084,230	181,306	-	9,265,536
Parking lots	356,131	41,753	-	397,884
Industrial land and buildings	16,913	-	16,913	-
Vehicles and equipment	7,497,296	582,091	357,783	7,721,604
Infrastructure	<u>14,399,963</u>	<u>850,713</u>	<u>274,967</u>	<u>14,975,709</u>
Total capital assets subject to depreciation	<u>36,357,805</u>	<u>1,939,565</u>	<u>662,081</u>	<u>37,635,289</u>
Total capital assets	<u>37,568,691</u>	<u>2,130,432</u>	<u>667,858</u>	<u>39,031,265</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 7 - CAPITAL ASSETS (continued)

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Retirements and other Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Less accumulated depreciation:				
Land improvements	\$ 920,643	\$ 147,104	\$ 5,296	\$ 1,062,451
Buildings and improvements	2,748,489	207,893	-	2,956,382
Parking lots	90,557	11,873	-	102,430
Industrial land and buildings	10,716	-	10,716	-
Equipment	4,894,642	430,144	318,181	5,006,605
Infrastructure	<u>4,578,832</u>	<u>442,363</u>	<u>274,967</u>	<u>4,746,228</u>
Total accumulated depreciation	<u>13,243,879</u>	<u>1,239,377</u>	<u>609,160</u>	<u>13,874,096</u>
NET GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS	<u>\$24,324,812</u>	<u>\$ 891,055</u>	<u>\$ 58,698</u>	<u>\$25,157,169</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 240,149
Public Safety	185,620
Highways, streets and public works	551,784
Recreation	170,406
Cultural	84,065
Economic development	<u>7,353</u>

Total governmental activities depreciation expense \$1,239,377

A summary of business-type activities property, plant and equipment at June 30, 2007 is as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Retirements and other Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Capital assets not subject to depreciation:				
Land	\$ 56,953	\$ -	\$ -	\$ 56,953
Construction in progress	<u>16,601</u>	<u>1,007,243</u>	<u>-</u>	<u>1,023,844</u>
Total capital assets not subject to depreciation	<u>73,554</u>	<u>1,007,243</u>	<u>-</u>	<u>1,080,797</u>
Capital assets subject to depreciation:				
Land improvements	1,687,192	-	-	1,687,192
Buildings and improvements	21,409,985	25,237	11,045	21,424,177
Electric generating equipment	11,879,323	-	-	11,879,323
Transmission and distribution systems	19,852,239	207,722	43,146	20,016,815
Other machinery and equipment	<u>1,205,961</u>	<u>21,199</u>	<u>-</u>	<u>1,227,160</u>
Total capital assets subject to depreciation	<u>56,034,700</u>	<u>254,158</u>	<u>54,191</u>	<u>56,234,667</u>
Total capital assets	<u>56,108,254</u>	<u>1,261,401</u>	<u>54,191</u>	<u>57,315,464</u>
Less accumulated depreciation:				
Land improvements	712,520	40,336	-	752,856
Buildings and improvements	11,078,263	625,575	6,795	11,697,043
Electric generating equipment	7,770,414	247,668	-	8,018,082
Transmission and distribution systems	10,117,568	389,014	43,146	10,463,436
Other machinery and equipment	<u>919,056</u>	<u>58,905</u>	<u>-</u>	<u>977,961</u>
Total accumulated depreciation	<u>30,597,821</u>	<u>1,361,498</u>	<u>49,941</u>	<u>31,909,378</u>
NET BUSINESS TYPE ACTIVITIES CAPITAL ASSETS	<u>\$25,510,433</u>	<u>\$ (100,097)</u>	<u>\$ 4,250</u>	<u>\$25,406,086</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation expense was charged as follows:

Electric	\$ 851,985
Water	244,339
Waste water	202,562
Marina	<u>62,612</u>
Total business-type activities depreciation expense	<u>\$1,361,498</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, 2006, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 33 current employees and 48 retirees and beneficiaries currently receiving benefits, two terminated employees entitled to but not yet receiving benefits, and two deferred retirement plan option participants.

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, 2006. Significant actuarial assumptions used in determining the actuarial

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 - PENSION PLANS (continued)

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 0.2% 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, 2006 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	\$12,301,589
To present active members:	
Member contributions	7,925,541
Inactive vested members	315,208
Allocated to DROP accounts	<u>92,134</u>
Total actuarial accrued liability	20,634,472
Actuarial value of assets	<u>18,635,314</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$ 1,999,158</u>

GASB 27 INFORMATION

Contributions Required and Contributions Made - The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2006 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	Annual	Percent
<u>June 30</u>	<u>Required</u>	<u>Contributed</u>
	<u>Contribution</u>	
2002	\$ 107,352	100%
2003	123,488	100%
2004	219,191	100%
2005	418,035	100%
2006	465,237	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, 2007 was calculated at 26.4% of the valuation payroll. This calculates out to \$489,661.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 - PENSION PLANS (continued)

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
6/30/02	\$19,274,620	\$16,233,484	\$ (3,041,136)	119%	\$ 1,681,701	-%
6/30/02*	19,274,620	16,582,195	(2,692,425)	116%	1,681,701	-%
6/30/03	18,797,603	17,360,814	(1,436,789)	108%	1,708,691	-%
6/30/03@	18,797,603	18,293,107	(504,496)	103%	1,708,691	-%
6/30/04	18,431,090	18,883,067	451,977	98%	1,867,349	24%
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%

* After changes in benefit provision.

@ After changes in assumptions.

Michigan Municipal Employees Retirement System

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

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 the 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. Employees, other than the part-time division, with 25 years of credited service may retire at or after age 55 with full 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.

The Electrician's, Teamsters, Non-Union, Water and Waste Water Divisions have closed to new hires. These divisions are now being covered with a defined contribution retirement plan.

The defined contribution plan requires the City to contribute a minimum of four percent of the employee's qualified wages, with an additional matching

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 - PENSION PLAN (continued)

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 \$2,456 to the plan and the employees contributed \$1,083.

B. Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. 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, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 13,849,428
Terminated employees not yet receiving benefits	1,130,015
Non-vested terminated employees	25,016
Current employees -	
Accumulated employee contributions including allocated investment income	167,910
Employer Financed	<u>11,759,518</u>
Total Actuarial Accrued Liability	\$ 26,931,887
Net Assets Available for Benefits at Actuarial Value (Market Value is \$18,492,934)	<u>18,681,596</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 8,250,291</u>
Fiscal Year Beginning	July 1, 2008
Annual Required Contribution (ARC)	\$ 810,780
Amortization Factor Used - Underfunded Liabilities (30 years)	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 <u>June 30</u>	Annual Pension <u>Cost</u>	Percent <u>Contributed</u>
2004	\$ 555,140	100%
2005	650,157	100%
2006	611,749	100%

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 - PENSION PLAN (continued)

Notes: Total payments made by the City of Escanaba to MERS for fiscal year ended June 30, 2007 were \$644,256.

D. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
2002	\$15,834,089	\$19,829,046	\$ 3,994,957	80	\$ 4,306,914	93%
2003	16,789,939	21,330,198	4,540,259	79	4,405,553	103%
2004	17,612,343	23,586,755	5,974,412	75	4,417,685	135%
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%

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	<u>Balance 06/30/06</u>	<u>Additions</u>	<u>Retire-ments</u>	<u>Balance 06/30/07</u>	<u>Amounts Due Within 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.	\$3,560,000	\$ -	\$ 150,000	\$3,410,000	\$150,000
DDA bonds, 6.0%, due in annual installments of \$12,000 commencing June 1, 1997 through December 2006.	12,000	\$ -	12,000	-	-
DDA bonds, 6.13%, due in annual installments of \$40,000 commencing December 1, 2001 through December 2014.	360,000	-	40,000	320,000	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.	190,003	-	23,751	166,252	23,750
FICA on accrued compensated absences	42,537	1,561	-	44,098	11,703
Long-term portion of accrued compensated absences	<u>556,038</u>	<u>20,409</u>	<u>-</u>	<u>576,447</u>	<u>152,986</u>
Total governmental long-term debt	<u>\$4,720,578</u>	<u>\$ 21,970</u>	<u>\$ 225,751</u>	<u>\$4,516,797</u>	<u>\$378,439</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 9 - LONG-TERM DEBT (continued)

	<u>Balance</u>	<u>Additions</u>	<u>Retire-</u>	<u>Balance</u>	<u>Amounts</u>
	<u>06/30/06</u>		<u>ments</u>	<u>06/30/07</u>	<u>Due</u>
					<u>Within</u>
					<u>One Year</u>
Business-type Activities:					
1993 Waste Water Utility revenue bonds, 2.0%, due in semi-annual installments of \$60,000 to \$85,000 through October 1, 2013.	\$ 620,000	\$ -	\$ 70,000	\$ 550,000	\$ 75,000
1998 Waste Water Utility revenue bonds, 2.25%, due in semi-annual installments of \$40,000 to \$65,000 through October 1, 2018	695,000	-	45,000	650,000	50,000
2002 Water Utility revenue bonds, 2.5%, due in semi-annual installments of \$110,000 to \$170,000 through October 1, 2023.	2,530,000	-	115,000	2,415,000	115,000
2007 Water Utility revenue bonds, 2.125% due in semi-annual installments of \$120,000 to \$180,000 through October 1, 2027.	-	698,025	-	698,025	-
Total business-type long-term debt	<u>\$3,845,000</u>	<u>\$ 698,025</u>	<u>\$ 230,000</u>	<u>\$4,313,025</u>	<u>\$240,000</u>

Debt service requirements on long-term debt, excluding compensated absences and fringes, at June 30, 2007 are as follows:

Governmental Activities:

<u>Year Ending</u>	<u>Notes</u>	<u>Bonds</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>	<u>Payable</u>	<u>Payable</u>		
2008	\$ 23,750	\$ 190,000	\$ 152,781	\$ 366,531
2009	23,750	200,000	146,204	369,954
2010	23,751	200,000	138,752	362,503
2011	23,750	210,000	130,900	364,650
2012	23,750	215,000	122,498	361,248
2013-2017	47,501	1,105,000	479,669	1,632,170
2018-2022	-	1,190,000	255,660	1,445,660
2023-2027	-	420,000	25,935	445,935
TOTAL	<u>\$ 166,252</u>	<u>\$ 3,730,000</u>	<u>\$ 1,452,399</u>	<u>\$ 5,348,651</u>

Business-type Activities:

<u>Year Ending</u>	<u>Bonds</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>	<u>Payable</u>		
2008	\$ 240,000	\$ 145,939	\$ 385,939
2009	365,000	139,099	504,099
2010	365,000	130,926	495,926
2011	380,000	122,584	502,584
2012	385,000	114,016	499,016
2013-2017	1,338,025	295,195	1,633,220
2018-2022	900,000	94,951	994,951
2023-2027	340,000	8,500	348,500
TOTAL	<u>\$ 4,313,025</u>	<u>\$ 1,051,210</u>	<u>\$ 5,364,235</u>

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS

The Upper Peninsula Power Company had contracted with the City of Escanaba to operate and maintain the City's generating plant for a period of 30

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS (continued)

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 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.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables occurred during the year for operational purposes. Interfund receivables and payables at June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Grants Fund	\$ 92,769
		Sanitary Landfill	10,504
		Delta County Central Dispatch	<u>31,698</u>
General Fund	<u>\$ 134,971</u>	Subtotal	<u>134,971</u>
		Waste Water Utility	130,783
		Water Utility	<u>170,491</u>
Local Street Fund	<u>301,274</u>	Subtotal	<u>301,274</u>
Waste Water Utility	43,179		
Water Utility	<u>49,155</u>		
Subtotal	<u>92,334</u>	UDAG/Dial Grant Fund	<u>92,334</u>
Grants Fund	3,000		
Pension Trust Fund	<u>200</u>		
Subtotal	<u>3,200</u>	General Fund	<u>3,200</u>
UDAG/Dial Grant Fund	<u>142,874</u>	Local Street Fund	<u>142,874</u>
Total	<u>\$ 674,653</u>	Total	<u>\$ 674,653</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 12 - ADVANCES TO OTHER FUNDS

Electric Utility Fund - The advance to Marina Fund consists of a loan for \$155,524 made during the year ended June 30, 1990. The advance was used to finance certain capital improvements in the Marina Fund. The loan is to be paid back over a 17-year period with interest at 4 percent. The balance as of June 30, 2007 is \$0.

Land Development Fund - The advances to other funds consists of a loan to the Marina Fund for \$350,000 made during the fiscal year ended June 30, 2001. The 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, 2007 is \$313,200.

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 \$35,678, reserved for inventory as they do not represent expendable available financial resources.

B. Reserved for Prepaid Expenditures - The General Fund has \$1,155 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, 2007 the amount available for expenditure is \$0.

D. 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 \$920,903, \$679,144 and \$882,725, respectively, of the fund balance reserved for the non-current portion of loans receivable which do not represent expendable available financial resources.

E. 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, \$156,884 is accounted for in the M.S.C. Revolving Loan Fund II, and \$809,373 is accounted for in the E.D.A. Revolving Loan Fund.

F. Reserve for UPSET Expenses - The Drug Law Enforcement Fund has \$110,059 reserved for expenses authorized by UPSET. These funds can only be used for UPSET activities and cannot be used for City activities.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

G. 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.

H. Reserve for Future DDA Projects - The Downtown Development Authority Fund has \$463,402 reserved for future projects as listed in the TIF Development Plan.

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, \$117,781 and \$228,734, 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, 2007, from receipt of the original donation, is computed below:

Original donation	\$ 311,789	
Interest earned on original donation	123,586	
General Fund contribution - land	20,565	
Community Action Agency Grant	20,307	
Earnings retained	<u>327,323</u>	\$ 803,570
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>198,785</u>	<u>680,464</u>
		<u>\$ 123,106</u>

B. Reserve for Children's Materials - The Bezold Trust Fund has \$270,831 for the purpose of children's materials in accordance with a donor's instructions.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. Reserve for Employees Retirement System - The Public Safety Pension Fund has \$20,401,455 reserved for that retirement system.

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, 2006 is as follows:

Total assets	<u>\$ 7,011,734</u>
Total current liabilities	\$ 258,405
Total long-term liabilities	6,350,307
Total net assets	<u>403,022</u>
Total liabilities and equity	<u>\$ 7,011,734</u>
Operating revenues	\$ 1,842,468
Operating expenses	<u>(1,557,804)</u>
Net operating income (loss)	284,664
Non-operating revenues (expense), net	<u>(13,833)</u>
Increase in net assets	<u>\$ 270,831</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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:		
General Fund	\$ 709,237	\$ 623,706
Major Street Fund	175,000	100,000
Local Street Fund	462,527	-
Parking Maintenance Fund	15,206	-
Library Fund	238,500	-
UDAG/Dial Grant Fund	-	189,460
Gas Retirement Fund	-	70,401
Grants Fund	41	-
Land Development Fund	-	60,041
Sanitary Landfill Fund	-	185,613
Proprietary Funds:		
Electric Fund	-	463,624
Waste Water Fund	43,179	-
Water Fund	49,155	-
Health Insurance Fund	100,000	4,411
Unemployment Compensation Fund	-	100,000
Dental Fund	<u>4,411</u>	<u>-</u>
Total	<u>\$1,797,256</u>	<u>\$1,797,256</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 dental benefits, worker's compensation, unemployment compensation and health 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, 2007

NOTE 17 - RISK MANAGEMENT (continued)

A summary of the claims activity is as follows:

	Balance <u>6/30/06</u>	Current Year Claims	Claim Payments	Balance <u>6/30/07</u>
Workers' Compensation	\$ 325,000	\$ 25,078	\$ 100,078	\$ 250,000
Dental	22,478	-	22,478	-
Unemployment Compensation	13,141	12,070	21,621	3,590
Health Insurance	<u>68,915</u>	<u>1,192,835</u>	<u>1,103,418</u>	<u>158,332</u>
	<u>\$ 429,534</u>	<u>\$ 1,229,983</u>	<u>\$1,247,595</u>	<u>\$ 411,922</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 \$100,000. 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, 2007, the Authority had met the minimum requirements.

At June 30, 2007, 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 - 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 \$142,787 has been recorded during the current fiscal year

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 19 - RECLASSIFICATION

Certain reclassifications have been made in the 2006 comparative totals to conform to the classifications used in 2007. Any reclassifications made were not material to the financial statements.

NOTE 20 - CONTINGENCIES

During the fiscal year the Council approved borrowing \$2,950,000 in the form of revenue bonds for improvements to the water plant and system. As of June 30, 2007, \$698,025 was used, leaving a commitment of \$2,251,975 that is anticipated to be used in the next fiscal year.

NOTE 21 - SUBSEQUENT EVENTS

- A. Electric Plant - During the year one of the generators at the power plant was damaged due to an electrical storm. The repairs for this damage will approximate \$1,000,000 and will occur in the fiscal year ending June 30, 2008.
- B. EDA Loan Funds - Because certain loan thresholds were not met in the EDA Revolving Loan Fund, the Economic Development Agency is requiring that \$395,771 of that funds cash be sequestered in a separate bank account. This action was taken on September 14, 2007.

NOTE 22 - PRIOR PERIOD ADJUSTMENT

During the year it was determined that there was a \$185,135 credit for over-paid insurance premiums in the Health Insurance Fund that existed at June 30, 2006, but was not certain or measurable at that time and therefore not recorded. Because it was determined to apply to periods prior to June 30, 2007, a prior period adjustment was recorded. Accordingly, June 30, 2006 data for the Health Insurance Fund, as reported in these financial statements, has been restated. The restatement effect is as listed below:

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Prepaid Expenses	\$ 87,581	\$ 185,135	\$ 272,716
Net Assets	147,649	185,135	332,784
Insurance Premiums Expense	1,071,063	(185,135)	885,928

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Current property taxes	\$ 4,123,000	\$ 4,123,000	\$ 4,105,457	\$ (17,543)
Collection on prior levies	20,000	20,000	9,464	(10,536)
Payments in lieu of taxes:				
Harbor Tower	6,800	6,800	6,271	(529)
West Highland	10,750	10,750	11,920	1,170
Chippewa Indians	950	950	934	(16)
Meadow Brook	-	-	1,728	1,728
Willow Grove	-	-	1,853	1,853
Bridgewood	300	300	300	-
Penalties and interest	15,000	15,000	13,449	(1,551)
Total Taxes	<u>4,176,800</u>	<u>4,176,800</u>	<u>4,151,376</u>	<u>(25,424)</u>
Licenses and Permits:				
Business licenses and permits	1,200	1,200	1,550	350
Zoning appeals fees	4,000	4,000	-	(4,000)
Total Licenses and Permits	<u>5,200</u>	<u>5,200</u>	<u>1,550</u>	<u>(3,650)</u>
Local Sources:				
Downtown patrol	15,000	15,000	2,118	(12,882)
Two percent grant	-	4,500	4,500	-
Chippewa Tribe gaming revenue	10,000	10,000	10,000	-
Total Local Sources	<u>25,000</u>	<u>29,500</u>	<u>16,618</u>	<u>(12,882)</u>
State Grants:				
Anti-drug abuse	12,500	12,500	9,330	(3,170)
State shared revenues	1,539,700	1,539,700	1,520,662	(19,038)
Criminal justice	7,400	7,400	7,743	343
FEMA match funds	17,000	17,000	17,000	-
Click it or ticket	-	-	7,285	7,285
Total State Grants	<u>1,576,600</u>	<u>1,576,600</u>	<u>1,562,020</u>	<u>(14,580)</u>
Federal Sources:				
Anti-drug abuse	43,750	43,750	47,798	4,048
Bulletproof vest program	375	375	1,085	710
Project Safe Neighborhood Grant	-	-	10	10
FEMA grant	19,000	19,000	13,933	(5,067)
Total Federal Sources	<u>63,125</u>	<u>63,125</u>	<u>62,826</u>	<u>(299)</u>
Charges For Services:				
Land use fees	-	-	5,390	5,390
Sex offender fees	-	-	40	40
Platting fees	500	500	6	(494)
Computer printouts	400	400	-	(400)
Composting	10,000	10,000	5,372	(4,628)
Cost recovery ordinances	1,000	1,000	849	(151)
Wedding ceremony fees	-	-	20	20
Duplicating and photostat fees	2,500	2,500	2,357	(143)
Tax collection fees	50,000	50,000	48,164	(1,836)
Township fire protection	67,500	67,500	82,254	14,754
Street Department for overhead	22,500	22,500	8,346	(14,154)
Recreation program	5,950	5,950	6,581	631

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
Farmers market	\$ 325	\$ 325	\$ -	\$ (325)
Wireless E-911 revenue	-	-	(256)	(256)
Boat launches	20,000	20,000	18,512	(1,488)
Delta solid waste	6,000	6,000	5,911	(89)
Property owners share of sidewalk construction	10,000	10,000	29,055	19,055
Inspection fees	3,800	3,800	3,265	(535)
Total Charges for Services	200,475	200,475	215,866	15,391
Fines and Forfeitures:				
Penalties and interest	1,500	1,500	806	(694)
Nonmoving violations and district court	10,000	10,000	9,495	(505)
Penal fines, county allocation	15,000	15,000	25,364	10,364
Total Fines and Forfeitures	26,500	26,500	35,665	9,165
Miscellaneous:				
Vending machine sales	500	500	1,758	1,258
Interest earnings	205,000	205,000	269,648	64,648
Rents	50,900	50,900	50,426	(474)
Jackie Sorenson aerobics fees	-	-	4,808	4,808
Sale of property	1,000	1,000	-	(1,000)
Purchase discounts	1,800	1,800	1,299	(501)
Contributions	5,000	5,000	11,031	6,031
Other	6,250	6,250	2,418	(3,832)
Total Miscellaneous	270,450	270,450	341,388	70,938
TOTAL REVENUES	6,344,150	6,348,650	6,387,309	38,659
EXPENDITURES:				
General government:				
City Council:				
Salaries and wages	13,000	13,000	11,865	1,135
Fringe benefits	1,195	1,195	994	201
Office supplies	500	500	499	1
Operating supplies	400	400	43	357
Communications	75	75	83	(8)
Transportation	2,000	2,000	129	1,871
Printing and publishing	100	100	297	(197)
Insurance and bonds	550	550	500	50
Public relations	200	200	-	200
Memberships and dues	5,600	5,600	5,270	330
Meetings	600	600	-	600
Equipment rental	500	500	40	460
Total City Council	24,720	24,720	19,720	5,000
City Manager:				
Salaries and wages	117,686	120,186	125,032	(4,846)
Fringe benefits	46,494	46,494	44,125	2,369
Professional services	-	-	30	(30)
Office supplies	2,700	2,700	2,623	77
Communications	1,850	1,850	1,424	426
Transportation	2,000	2,000	493	1,507
Printing and publishing	1,000	1,000	926	74
Insurance and bonds	50	50	38	12
Memberships and dues	300	300	-	300

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Meetings	\$ 300	\$ 300	\$ 45	\$ 255
Equipment repair	200	200	-	200
Equipment rental	6,800	6,800	5,054	1,746
Books, magazines and periodicals	650	650	162	488
	<u>180,030</u>	<u>182,530</u>	<u>179,952</u>	<u>2,578</u>
Less amount applicable to utilities	<u>(126,021)</u>	<u>(126,021)</u>	<u>(125,966)</u>	<u>(55)</u>
Total City Manager	<u>54,009</u>	<u>56,509</u>	<u>53,986</u>	<u>2,523</u>
City Elections:				
Salaries and wages	1,151	1,151	335	816
Fringe benefits	391	391	79	312
Professional services	6,000	6,000	8,394	(2,394)
Office supplies	3,500	3,500	2,902	598
Transportation	300	300	465	(165)
Printing and publishing	200	200	116	84
Meetings	200	200	318	(118)
Equipment repair	5,000	5,000	750	4,250
Equipment rental	2,500	2,500	2,672	(172)
Telephone	100	100	50	50
Total City Elections	<u>19,342</u>	<u>19,342</u>	<u>16,081</u>	<u>3,261</u>
Accounting:				
Salaries and wages	145,108	145,108	145,064	44
Fringe benefits	61,411	61,411	63,482	(2,071)
Professional services	250	250	-	250
Office supplies	6,050	6,050	5,176	874
Communications	1,050	1,050	924	126
Printing and publishing	500	500	250	250
Insurance and bonds	550	550	510	40
Memberships and dues	175	175	175	-
Equipment repair	150	150	-	150
Equipment rental	3,400	3,400	2,898	502
Books, magazines and periodicals	100	100	60	40
	<u>218,744</u>	<u>218,744</u>	<u>218,539</u>	<u>205</u>
Less amount applicable to utilities	<u>(131,246)</u>	<u>(131,246)</u>	<u>(131,123)</u>	<u>(123)</u>
Total Accounting	<u>87,498</u>	<u>87,498</u>	<u>87,416</u>	<u>82</u>
City Assessor:				
Salaries and wages	102,614	102,614	88,569	14,045
Fringe benefits	46,175	46,175	39,746	6,429
Professional services	2,800	2,800	1,350	1,450
Office supplies	11,100	11,100	10,435	665
Communications	650	650	561	89
Transportation	150	150	3	147
Printing and publishing	700	700	329	371
Memberships and dues	425	425	386	39
Meetings	100	100	350	(250)
Equipment repair	1,200	1,200	4,113	(2,913)
Equipment rental	2,800	2,800	1,940	860
Book, magazines and periodicals	415	415	397	18
Total City Assessor	<u>169,129</u>	<u>169,129</u>	<u>148,179</u>	<u>20,950</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
City Attorney:				
Professional services	\$ 49,000	\$ 51,000	\$ 50,415	\$ 585
Office supplies	200	200	858	(658)
Equipment rental	1,000	1,000	375	625
Books, magazines and periodicals	1,000	2,300	2,065	235
	<u>51,200</u>	<u>54,500</u>	<u>53,713</u>	<u>787</u>
Less amount applicable to utilities	<u>(25,600)</u>	<u>(25,600)</u>	<u>(26,856)</u>	<u>1,256</u>
Total City Attorney	<u>25,600</u>	<u>28,900</u>	<u>26,857</u>	<u>2,043</u>
Human Resources:				
Salaries and wages	33,538	33,538	33,454	84
Fringe benefits	10,956	13,956	13,715	241
Professional services	3,600	10,600	10,456	144
Office supplies	2,200	2,200	1,505	695
Communications	200	200	181	19
Transportation	500	500	63	437
Printing and publishing	800	2,800	3,100	(300)
Insurance and bonds	-	-	38	(38)
Memberships and dues	150	150	160	(10)
Meetings	1,000	1,000	-	1,000
Equipment rental	1,000	1,000	674	326
Books, magazines and periodicals	150	150	179	(29)
	<u>54,094</u>	<u>66,094</u>	<u>63,525</u>	<u>2,569</u>
Less amount applicable to utilities	<u>(18,933)</u>	<u>(18,933)</u>	<u>(22,223)</u>	<u>3,290</u>
Total Human Resources	<u>35,161</u>	<u>47,161</u>	<u>41,302</u>	<u>5,859</u>
Board of Review:				
Professional services	1,600	1,600	1,500	100
Office supplies	50	50	7	43
Tuition assistance	100	100	-	100
Transportation	100	100	95	5
Printing and publishing	300	300	52	248
Total Board of Review	<u>2,150</u>	<u>2,150</u>	<u>1,654</u>	<u>496</u>
Treasurer:				
Salaries and wages	110,030	110,030	106,569	3,461
Fringe benefits	50,254	50,254	54,337	(4,083)
Professional services	500	500	50	450
Office supplies	1,800	1,800	2,922	(1,122)
Communications	1,350	1,350	1,211	139
Transportation	700	700	-	700
Printing and publishing	1,000	1,000	824	176
Insurance and bonds	825	825	735	90
Memberships and dues	40	40	35	5
Meetings	200	200	-	200
Equipment repair	100	100	68	32
Equipment rental	6,050	6,050	5,190	860
Books, magazines and periodicals	275	275	249	26
	<u>173,124</u>	<u>173,124</u>	<u>172,190</u>	<u>934</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Less amount applicable to utilities	<u>\$ (155.812)</u>	<u>\$ (155.812)</u>	<u>\$ (153.941)</u>	<u>\$ (1.871)</u>
Total Treasurer	<u>17.312</u>	<u>17.312</u>	<u>18.249</u>	<u>(937)</u>
City Clerk:				
Salaries and wages	67.387	73.387	72.221	1,166
Fringe benefits	34.388	38.388	38.570	(182)
Office supplies	3.600	3.600	2.692	908
Communications	1.200	1.200	1.034	166
Transportation	1.000	1.000	1.035	(35)
Printing and publishing	4.000	4.000	4.669	(669)
Memberships and dues	270	270	266	4
Meetings	300	300	1,146	(846)
Equipment repair	-	-	99	(99)
Equipment rental	4.000	4.000	2,072	1,928
Books, magazines and periodicals	470	470	515	(45)
Total City Clerk	<u>116.615</u>	<u>126.615</u>	<u>124.319</u>	<u>2,296</u>
Billing Department:				
Salaries and wages	122.157	122.157	121,268	889
Fringe benefits	67.205	70,205	69,656	549
Clothing	300	300	102	198
Professional services	400	400	339	61
Office supplies	22.500	22,500	21,696	804
Communications	1.300	1,300	1,082	218
Transportation	250	250	86	164
Printing and publishing	5,000	5,000	160	4,840
Meetings	300	300	267	33
Equipment repair	100	100	148	(48)
Equipment rental	14,600	18,600	18,666	(66)
New equipment	100	100	788	(688)
	<u>234.212</u>	<u>241,212</u>	<u>234,258</u>	<u>6,954</u>
Less amount applicable to utilities	<u>(210.791)</u>	<u>(210.791)</u>	<u>(210,124)</u>	<u>(667)</u>
Total Billing Department	<u>23.421</u>	<u>30.421</u>	<u>24.134</u>	<u>6.287</u>
Independent Auditing:				
Professional services	16.750	16,750	16,650	100
Less amount applicable to utilities	<u>(8.375)</u>	<u>(8.375)</u>	<u>(8.325)</u>	<u>(50)</u>
Total Independent Auditing	<u>8.375</u>	<u>8.375</u>	<u>8.325</u>	<u>50</u>
Farmers Market:				
Public utilities	<u>225</u>	<u>275</u>	<u>222</u>	<u>53</u>
Public Works - City Hall/Library:				
Building rental	134,844	94,844	92,124	2,720
Building lease	<u>290.592</u>	<u>290.592</u>	<u>290.593</u>	<u>(1)</u>
	<u>425.436</u>	<u>385.436</u>	<u>382,717</u>	<u>2,719</u>
Less amount applicable to utilities	<u>(50.000)</u>	<u>(50.000)</u>	<u>(50.000)</u>	<u>-</u>
Total Public Works - City Hall/Library	<u>375.436</u>	<u>335.436</u>	<u>332,717</u>	<u>2,719</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
Civic Center:				
Salaries and wages	\$ 51,009	51,009	40,945	10,064
Fringe benefits	22,198	22,198	19,367	2,831
Office supplies	700	700	506	194
Building supplies	4,000	4,000	3,122	878
Communications	1,800	1,800	1,024	776
Transportation	-	-	15	(15)
Printing and publishing	-	-	80	(80)
Insurance and bonds	3,700	3,700	3,160	540
Public utilities	53,500	53,500	36,066	17,434
Building maintenance	8,060	8,060	2,482	5,578
Equipment repair	1,000	1,000	173	827
Equipment rental	2,000	2,000	756	1,244
New equipment	1,900	1,900	975	925
Building improvements	-	55,000	66,326	(11,326)
Total Civic Center	<u>149,867</u>	<u>204,867</u>	<u>174,997</u>	<u>29,870</u>
Rental Property:				
Insurance and bonds	<u>375</u>	<u>375</u>	-	375
Tourism Promotion:				
Public relations	-	-	286	(286)
Printing and publishing	300	2,800	2,796	4
Insurance and bonds	300	300	275	25
Building maintenance	500	500	-	500
Waterfront Art show	700	700	447	253
Masters Walleye Tournament	3,000	3,000	-	3,000
Car show	500	500	572	(72)
Folk Fest	500	500	564	(64)
PWT Fishing Tournament	3,000	3,000	3,511	(511)
Rumble UP Motorcycle Rally	-	-	78	(78)
FLW Everstart Bass Tournament	<u>3,000</u>	<u>3,000</u>	<u>1,658</u>	<u>1,342</u>
Total Tourism Promotion	<u>11,800</u>	<u>14,300</u>	<u>10,187</u>	<u>4,113</u>
Boat Launches:				
Salaries and wages	4,064	4,064	1,361	2,703
Fringe benefits	311	311	138	173
Professional services	200	200	-	200
Operating supplies	1,250	1,250	373	877
Printing and publishing	2,000	2,000	442	1,558
Insurance and bonds	500	500	43	457
Public utilities	4,500	4,500	2,943	1,557
Equipment rental	2,500	2,500	2,745	(245)
Telephone	400	400	-	400
Repairs to structures	2,000	2,000	103	1,897
Repairs to equipment	750	750	5	745
Total Boat Launches	<u>18,475</u>	<u>18,475</u>	<u>8,153</u>	<u>10,322</u>
Promotional:				
Community promotion	9,950	9,950	7,480	2,470
Celebration flags	1,733	1,733	882	851
Fourth of July	<u>15,977</u>	<u>16,977</u>	<u>16,222</u>	<u>755</u>
Total Promotional	<u>27,660</u>	<u>28,660</u>	<u>24,584</u>	<u>4,076</u>
Total General Government	<u>1,167,170</u>	<u>1,220,520</u>	<u>1,121,082</u>	<u>99,438</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Public Safety:				
Public Safety Department:				
Salaries and wages	\$ 2,074,370	\$ 2,074,370	\$ 1,996,200	\$ 78,170
Fringe benefits	914,311	914,311	883,706	30,605
Clothing	12,000	12,000	8,688	3,312
Uniform maintenance	1,800	1,800	1,375	425
Professional services	1,800	1,800	2,800	(1,000)
Office supplies	27,040	27,040	18,947	8,093
Building supplies	2,300	2,300	2,731	(431)
Communications	9,500	9,500	7,764	1,736
Public relations	300	300	745	(445)
Transportation	4,000	4,000	5,172	(1,172)
Printing and publishing	1,500	1,500	1,715	(215)
Insurance and bonds	25,500	25,500	23,507	1,993
Public utilities	48,500	48,500	43,371	5,129
Building maintenance	8,000	8,000	5,874	2,126
Memberships and dues	410	410	485	(75)
Meetings	5,500	5,500	3,531	1,969
Equipment repair	17,675	17,675	18,496	(821)
Equipment rental	147,830	147,830	147,613	217
Hydrant rental	66,160	66,160	66,160	-
Books, magazines and periodicals	1,900	1,900	494	1,406
New equipment	34,350	34,350	27,551	6,799
Building improvements	1,200	51,200	77,365	(26,165)
Computer forensic lab	-	-	924	(924)
Total Public Safety Department	<u>3,405,946</u>	<u>3,455,946</u>	<u>3,345,214</u>	<u>110,732</u>
Community Preservation:				
Salaries and wages	88,944	88,944	69,548	19,396
Fringe benefits	31,769	31,769	25,430	6,339
Professional services	11,000	11,000	108	10,892
Office supplies	5,200	5,200	5,827	(627)
Communications	1,200	1,200	842	358
Transportation	1,000	1,000	-	1,000
Printing and publishing	800	800	948	(148)
Memberships and dues	320	320	55	265
Meetings	1,000	1,000	220	780
Equipment repair	300	300	-	300
Equipment rental	5,900	5,900	3,844	2,056
Books, magazines and periodicals	400	400	-	400
New equipment	-	-	244	(244)
Total Community Preservation	<u>147,833</u>	<u>147,833</u>	<u>107,066</u>	<u>40,767</u>
Anti-drug Abuse Grant:				
Salaries and wages	57,359	57,359	59,713	(2,354)
Fringe benefits	27,497	27,497	25,873	1,624
Clothing	100	100	-	100
Office supplies	200	200	-	200
Transportation	2,000	2,000	1,616	384
Insurance and bonds	-	-	266	(266)
Telephone	-	-	65	(65)
Professional services	15,000	15,000	10,916	4,084
Total Anti-drug Abuse Grant	<u>102,156</u>	<u>102,156</u>	<u>98,449</u>	<u>3,707</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Public Safety Training:				
Office supplies	\$ 1,000	\$ 1,000	\$ 1,021	(21)
Transportation	1,500	1,500	5,250	(3,750)
Meetings	4,500	4,500	-	4,500
	<u>7,000</u>	<u>7,000</u>	<u>6,271</u>	<u>729</u>
Total Public Safety Training				
	<u>3,662,935</u>	<u>3,712,935</u>	<u>3,557,000</u>	<u>155,935</u>
Total Public Safety				
Highways, Streets and Public Works:				
City Engineer:				
Salaries and wages	133,386	133,386	130,720	2,666
Fringe benefits	55,034	55,034	57,536	(2,502)
Professional services	2,000	2,000	2	1,998
Office supplies	3,000	3,000	1,362	1,638
Communications	1,600	1,600	765	835
Transportation	900	900	-	900
Insurance and bonds	200	200	150	50
Memberships and dues	100	100	80	20
Meetings	500	500	-	500
Equipment repair	600	600	349	251
Equipment rental	14,000	14,000	8,764	5,236
New equipment	800	800	466	334
	<u>212,120</u>	<u>212,120</u>	<u>200,194</u>	<u>11,926</u>
Total City Engineer				
Care of Trees and Shrubs:				
Salaries and wages	48,302	48,302	34,371	13,931
Fringe benefits	21,431	21,431	15,706	5,725
Professional services	2,000	2,000	957	1,043
Office supplies	2,000	2,000	1,444	556
Equipment repair	2,000	2,000	3,080	(1,080)
Equipment rental	16,000	16,000	21,189	(5,189)
New equipment	600	600	480	120
	<u>92,333</u>	<u>92,333</u>	<u>77,227</u>	<u>15,106</u>
Total Care of Trees and Shrubs				
Planning Commission:				
Professional services	2,000	2,000	-	2,000
Office supplies	400	400	56	344
Transportation	300	300	-	300
Printing and publishing	1,500	1,500	1,255	245
Meetings	500	500	-	500
Books, magazines and periodicals	300	300	157	143
	<u>5,000</u>	<u>5,000</u>	<u>1,468</u>	<u>3,532</u>
Total Planning Commission				
Street Lighting	<u>163,000</u>	<u>164,000</u>	<u>161,362</u>	<u>2,638</u>
Crosswalks	<u>5,000</u>	<u>18,000</u>	<u>15,711</u>	<u>2,289</u>
Sidewalks:				
Salaries and wages	-	-	369	(369)
Fringe benefits	-	-	105	(105)
Professional services	90,000	77,000	74,207	2,793
Printing and publishing	-	-	94	(94)
Insurance and bonds	2,000	2,000	1,255	745

See accompany notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
Equipment rental	\$ -	\$ -	\$ 418	\$ (418)
Overhead on salaries and wages	-	-	75	(75)
Total Sidewalks	<u>92,000</u>	<u>79,000</u>	<u>76,523</u>	<u>2,477</u>
Alleys	-	500	426	74
Crossing Guards	<u>31,500</u>	<u>31,500</u>	<u>28,964</u>	<u>2,536</u>
Total Highways, Streets and Public Works	<u>600,953</u>	<u>602,453</u>	<u>561,875</u>	<u>40,578</u>
Sanitation:				
Sanitary landfill:				
Professional services	<u>222,000</u>	<u>222,000</u>	<u>206,336</u>	<u>15,664</u>
Mulching:				
Salaries and wages	50,311	50,311	40,767	9,544
Fringe benefits	19,819	19,819	14,429	5,390
Building rental	-	-	120	(120)
Office supplies	100	100	665	(565)
Printing and publishing	600	600	364	236
Public utilities	600	600	576	24
Equipment rental	60,000	60,000	60,074	(74)
Building improvements	-	-	1,979	(1,979)
Total Mulching	<u>131,430</u>	<u>131,430</u>	<u>118,974</u>	<u>12,456</u>
Snow Plowing:				
Salaries and wages	2,949	2,949	2,312	637
Fringe benefits	1,308	1,308	756	552
Equipment rental	<u>4,000</u>	<u>4,000</u>	<u>2,160</u>	<u>1,840</u>
Total Snow Plowing	<u>8,257</u>	<u>8,257</u>	<u>5,228</u>	<u>3,029</u>
Solid Waste Collection:				
Salaries and wages	214,626	224,626	217,979	6,647
Fringe benefits	90,269	100,269	96,057	4,212
Clothing	75	75	168	(93)
Office supplies	500	500	566	(66)
Printing and publishing	3,000	3,000	328	2,672
Education and training	1,000	1,000	-	1,000
Insurance and bonds	600	600	500	100
Equipment rental	90,000	90,000	84,971	5,029
Travel expense, auto allowance	-	-	281	(281)
Total Solid Waste Collection	<u>400,070</u>	<u>420,070</u>	<u>400,850</u>	<u>19,220</u>
Total Sanitation	<u>761,757</u>	<u>781,757</u>	<u>731,388</u>	<u>50,369</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>	-
Total Community Services	<u>21,148</u>	<u>21,148</u>	<u>21,148</u>	-
Recreation:				
Band:				
Fringe benefits	-	-	11	(11)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Uniform maintenance	\$ 400	\$ 400	\$ 184	\$ 216
Professional services	31,000	31,000	31,817	(817)
Office supplies	375	375	290	85
Transportation	500	500	480	20
Public utilities	300	300	123	177
Building maintenance	200	200	20	180
Equipment repair	100	100	40	60
Equipment rental	500	500	585	(85)
Total Band	33,375	33,375	33,550	(175)
Parks:				
Salaries and wages	65,664	65,664	67,440	(1,776)
Fringe benefits	29,135	29,135	21,394	7,741
Professional services	-	-	18	(18)
Office supplies	4,000	4,000	2,297	1,703
Building supplies	600	600	987	(387)
Printing and publishing	-	-	82	(82)
Insurance and bonds	1,100	1,100	788	312
Public utilities	9,000	9,000	8,126	874
Building maintenance	2,400	2,400	18,340	(15,940)
Equipment repair	1,250	1,250	1,288	(38)
Equipment rental	40,000	47,500	52,953	(5,453)
New equipment	600	600	-	600
Building improvements	19,800	19,800	6,876	12,924
Telephone	600	600	372	228
Repairs	-	-	275	(275)
Total Parks	174,149	181,649	181,236	413
Recreation Department - Administration:				
Salaries and wages	72,138	72,138	73,585	(1,447)
Fringe benefits	22,754	22,754	22,973	(219)
Professional services	-	-	1,568	(1,568)
Office supplies	3,300	3,300	3,337	(37)
Communications	1,500	1,500	1,410	90
Transportation	400	400	-	400
Printing and publishing	100	100	423	(323)
Equipment repair	200	200	70	130
Equipment rental	3,600	3,600	4,752	(1,152)
New equipment	1,000	1,000	180	820
Building improvements	-	7,000	-	7,000
Total Recreation Department - Administration	104,992	111,992	108,298	3,694
Summer Sports:				
Salaries and wages	45,726	45,726	44,918	808
Fringe benefits	16,301	16,301	14,361	1,940
Clothing	250	250	-	250
Professional services	-	-	18	(18)
Office supplies	5,000	5,000	6,630	(1,630)
Building supplies	100	100	76	24
Communications	600	600	130	470
Slam Fest volleyball	500	500	401	99
Printing and publishing	900	900	82	818
Education and training	100	100	-	100
Insurance and bonds	150	150	128	22
Public utilities	8,000	8,000	7,842	158

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Building maintenance	\$ 4,800	\$ 4,800	\$ 2,737	\$ 2,063
Equipment repair	750	750	275	475
Equipment rental	25,000	25,000	33,252	(8,252)
Building improvements	15,000	15,000	21,777	(6,777)
Total Summer Sports	123,177	123,177	132,627	(9,450)
Wading Pool:				
Salaries and wages	5,141	5,141	5,259	(118)
Fringe benefits	393	393	1,492	(1,099)
Fees and per diem	55	55	55	-
Professional services	200	200	135	65
Office supplies	1,450	1,450	1,311	139
Communications	450	450	33	417
Insurance and bonds	300	300	262	38
Public utilities	2,000	2,000	794	1,206
Building maintenance	2,500	2,500	631	1,869
Equipment repair	200	200	-	200
Equipment rental	100	100	315	(215)
Total Wading Pool	12,789	12,789	10,287	2,502
Winter Sports:				
Salaries and wages	27,270	27,270	23,997	3,273
Fringe benefits	9,110	9,110	8,079	1,031
Clothing	100	100	-	100
Office supplies	400	400	134	266
Building supplies	200	200	138	62
Communications	900	900	332	568
Printing and publishing	500	500	-	500
Insurance and bonds	300	300	177	123
Public utilities	6,200	6,200	4,480	1,720
Building maintenance	1,100	1,100	283	817
Meetings	100	100	65	35
Equipment repair	200	200	29	171
Equipment rental	6,000	6,000	11,223	(5,223)
Total Winter Sports	52,380	52,380	48,937	3,443
Beach:				
Salaries and wages	25,398	25,398	20,511	4,887
Fringe benefits	1,943	1,943	1,676	267
Clothing	400	400	20	380
Uniform maintenance	50	50	20	30
Professional services	100	100	-	100
Office supplies	700	700	487	213
Building supplies	600	600	324	276
Communications	1,400	1,400	517	883
Insurance and bonds	500	500	368	132
Public utilities	1,400	1,400	755	645
Building maintenance	500	500	493	7
Meetings	300	300	56	244
Equipment repair	300	300	-	300
Equipment rental	200	200	-	200
New equipment	150	150	-	150
Total Beach	33,941	33,941	25,227	8,714

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2007

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Civic Center Activities:				
Salaries and wages	\$ 45.036	\$ 45.036	\$ 40.205	\$ 4.831
Fringe benefits	7.845	7.845	7.287	558
Professional services	700	700	-	700
Office supplies	500	500	203	297
Operating supplies	200	200	32	168
Jackie Sorenson aerobics	5.500	5.500	4.863	637
Printing and publishing	1.500	1.500	148	1.352
Meetings	200	200	165	35
Equipment repair	1.500	1.500	50	1.450
Total Civic Center Activities	<u>62.981</u>	<u>62.981</u>	<u>52.953</u>	<u>10.028</u>
Total Recreation	<u>597.784</u>	<u>612.284</u>	<u>593.115</u>	<u>19.169</u>
Cultural:				
Historical Society Building:				
Insurance and bonds	250	250	201	49
Building improvements	-	4.500	4.500	-
Total Historical Society Building	<u>250</u>	<u>4.750</u>	<u>4.701</u>	<u>49</u>
Other Functions:				
Insurance and bonds	<u>11,000</u>	<u>11,000</u>	<u>10,508</u>	<u>492</u>
TOTAL EXPENDITURES	<u>6,822,997</u>	<u>6,966,847</u>	<u>6,600,817</u>	<u>366,030</u>
EXCESS REVENUES (EXPENDITURES)	<u>(478,847)</u>	<u>(618,197)</u>	<u>(213,508)</u>	<u>404,689</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	18,042	18,042
Operating transfers in:				
Electric Fund	463,624	463,624	463,624	-
Land Development Fund	60,000	60,000	60,000	-
Sanitary Landfill Fund	184,500	184,500	185,613	1,113
Operating transfers out:				
Library Fund	(238,500)	(238,500)	(238,500)	-
Major Street Fund	(175,000)	(175,000)	(175,000)	-
Local Street Fund	(195,000)	(195,000)	(195,000)	-
Parking Maintenance Fund	(17,500)	(17,500)	(15,206)	2,294
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,124</u>	<u>82,124</u>	<u>103,573</u>	<u>21,449</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(396,723)</u>	<u>(536,073)</u>	<u>(109,935)</u>	<u>426,138</u>
Fund balance, beginning of year	<u>396,723</u>	<u>536,073</u>	<u>4,126,267</u>	<u>3,590,194</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,016,332</u>	<u>\$ 4,016,332</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2007

	<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	\$ 760.000	\$ 760.000	\$ 691,343	\$ (68,657)
Winter maintenance	-	-	30,426	30,426
PA 48 annual maintenance fee	47.000	47,000	43,520	(3,480)
Federal sources:				
Construction grant	95,660	122,460	82,968	(39,492)
Miscellaneous:				
Interest earnings	18,000	18,000	28,215	10,215
TOTAL REVENUES	<u>920,660</u>	<u>947,460</u>	<u>876,472</u>	<u>(70,988)</u>
EXPENDITURES:				
Highways, Streets and Public Works:				
Construction - roads and streets:				
New construction	-	-	-	-
Preservation Streets:				
Patching and crack filling	54,480	54,480	163,006	(108,526)
Storm sewers	45,846	45,846	57,847	(12,001)
Grass and weed cutting	21,941	21,941	16,241	5,700
Sweeping and flushing	43,543	43,543	39,949	3,594
Capital outlay	295,500	351,000	246,775	104,225
Total Preservation Streets	<u>461,310</u>	<u>516,810</u>	<u>523,818</u>	<u>(7,008)</u>
Traffic Services - Maintenance:				
Pavement markings and signs	116,065	116,065	63,045	53,020
Winter Maintenance:				
Snow removal	205,496	169,996	79,058	90,938
Snow plowing	88,139	68,139	51,310	16,829
Snow control	433	433	-	433
Ice control	53,881	53,881	51,706	2,175
Total Winter Maintenance	<u>347,949</u>	<u>292,449</u>	<u>182,074</u>	<u>110,375</u>
Administration Engineering and Record Keeping	65,080	65,080	70,344	(5,264)
TOTAL EXPENDITURES	<u>990,404</u>	<u>990,404</u>	<u>839,281</u>	<u>151,123</u>
EXCESS REVENUES (EXPENDITURES)	<u>(69,744)</u>	<u>(42,944)</u>	<u>37,191</u>	<u>80,135</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	1,741	1,741
Operating transfers in:				
General Fund	175,000	175,000	175,000	-
Operating transfers out:				
Local Street Fund	(100,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,000</u>	<u>75,000</u>	<u>76,741</u>	<u>1,741</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	5,256	32,056	113,932	81,876
Fund balance, beginning of year	-	-	676,399	676,399
FUND BALANCE, END OF YEAR	<u>\$ 5,256</u>	<u>\$ 32,056</u>	<u>\$ 790,331</u>	<u>\$ 758,275</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2007

	<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	\$ 270,000	\$ 270,000	\$ 257,927	\$ (12,073)
Construction grant	660,000	660,000	59,311	(600,689)
Federal sources:				
Construction grant	-	-	149,222	149,222
Miscellaneous:				
Interest earnings	8,000	8,000	22,438	14,438
Special assessments	60,000	60,000	7,329	(52,671)
TOTAL REVENUES	998,000	998,000	496,227	(501,773)
EXPENDITURES:				
Highways, Streets and Public Works:				
Construction - roads and streets:				
New construction	1,049,000	1,049,000	277,280	771,720
Preservation Streets:				
Patching and crack filling	56,511	56,511	47,815	8,696
Storm sewers	60,987	60,987	42,045	18,942
Sweeping and flushing	38,212	38,212	40,058	(1,846)
Blading	27,437	27,437	19,980	7,457
Dust control	10,366	10,366	6,403	3,963
Street paving	175,000	175,000	131,013	43,987
Total Preservation Streets	368,513	368,513	287,314	81,199
Traffic Services - Maintenance	24,631	24,631	30,529	(5,898)
Winter Maintenance:				
Snow removal	16,941	16,941	19,073	(2,132)
Snow plowing	66,093	66,093	30,789	35,304
Ice control	30,550	30,550	27,268	3,282
Total Winter Maintenance	113,584	113,584	77,130	36,454
Administration Engineering and Record Keeping	52,417	52,417	60,325	(7,908)
TOTAL EXPENDITURES	1,608,145	1,608,145	732,578	875,567
EXCESS REVENUES (EXPENDITURES)	(610,145)	(610,145)	(236,351)	373,794
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	(1,168)	(1,168)
Operating transfers in:				
Gas Retirement Fund	80,000	80,000	70,401	(9,599)
UDAG/DIAL Grant Fund	240,000	240,000	97,126	(142,874)
Major Street Fund	100,000	100,000	100,000	-
General Fund	195,000	195,000	195,000	-
TOTAL OTHER FINANCING SOURCES (USES)	615,000	615,000	461,359	(153,641)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	4,855	4,855	225,008	220,153
Fund balance, beginning of year	-	-	347,337	347,337
FUND BALANCE, END OF YEAR	\$ 4,855	\$ 4,855	\$ 572,345	\$ 567,490

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2007

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and equivalents	\$ 112,045	\$ -	\$ 112,045
Investments, at market	4,136,695	1,082,727	5,219,422
Receivables:			
Accounts, net of bad debt allowance	26,097	-	26,097
Mortgages, land contracts and other notes	2,482,772	-	2,482,772
Accrued interest	46,611	11,907	58,518
Due from other funds:			
Local Street Fund	142,874	-	142,874
General Fund	3,000	-	3,000
Due from other governments:			
State of Michigan	112,192	-	112,192
Local units	50,198	-	50,198
Advances to other funds	313,200	-	313,200
Prepaid expenses	200	-	200
Real estate held for resale	8,200	-	8,200
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 7,434,084</u>	<u>\$ 1,094,634</u>	<u>\$ 8,528,718</u>
LIABILITIES:			
Accounts payable	\$ 18,420	\$ -	\$ 18,420
Due to other funds:			
Water Utility Fund	49,155	-	49,155
Waste Water Fund	43,179	-	43,179
General Fund	134,971	-	134,971
Deferred revenue	11,000	-	11,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>256,725</u>	<u>-</u>	<u>256,725</u>
FUND BALANCES:			
Reserved for:			
Principal	-	1,094,634	1,094,634
Long-term notes receivable	2,482,772	-	2,482,772
Revolving loans	966,257	-	966,257
UPSET expenses	110,059	-	110,059
Land held for resale	8,200	-	8,200
Future DDA projects as listed in the TIF Development Plan	463,402	-	463,402
Unreserved:			
Undesignated	3,146,669	-	3,146,669
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>7,177,359</u>	<u>1,094,634</u>	<u>8,271,993</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,434,084</u>	<u>\$ 1,094,634</u>	<u>\$ 8,528,718</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, 2007

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes	\$ 282,758	\$ -	\$ 282,758
Local sources	185,833	-	185,833
State grants	28,391	-	28,391
Federal sources	18,000	-	18,000
Charges for services	757,891	-	757,891
Fines and forfeitures	19,875	-	19,875
Interest and dividends	-	54,546	54,546
Miscellaneous	974,685	-	974,685
	<u>2,267,433</u>	<u>54,546</u>	<u>2,321,979</u>
TOTAL REVENUES			
EXPENDITURES:			
Public safety	560,764	-	560,764
Highways, streets and public works	264,143	-	264,143
Community services	246,515	-	246,515
Cultural	471,320	-	471,320
Urban redevelopment and housing	13,198	-	13,198
Economic development	333,119	-	333,119
Debt service	73,202	-	73,202
	<u>1,962,261</u>	<u>-</u>	<u>1,962,261</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>305,172</u>	<u>54,546</u>	<u>359,718</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	19,678	5,318	24,996
Operating transfers in	253,747	-	253,747
Operating transfers out	<u>(435,114)</u>	<u>(70,401)</u>	<u>(505,515)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(161,689)</u>	<u>(65,083)</u>	<u>(226,772)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	143,483	(10,537)	132,946
Fund balances, beginning of year	<u>7,033,876</u>	<u>1,105,171</u>	<u>8,139,047</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,177,359</u>	<u>\$ 1,094,634</u>	<u>\$ 8,271,993</u>

See accompanying notes to financial statements.

GENERAL FUND

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and equivalents	\$ 44,592	\$ 8,647
Investments, at market	3,809,916	4,014,608
Receivables:		
Accounts, net of bad debt allowance	196,490	176,310
Contracts for rental property	2,902	4,846
Special assessments	30,572	25,771
Accrued interest	49,511	44,109
Due from other funds:		
Grants Fund	92,769	106,910
Sanitary Landfill Fund	10,504	10,408
Delta County Central Dispatch Authority	31,698	-
Due from other governments:		
State of Michigan	213,946	226,811
Inventory	35,678	53,023
Prepaid expenses	1,155	12
TOTAL ASSETS	<u>\$ 4,519,733</u>	<u>\$ 4,671,455</u>
LIABILITIES:		
Accounts payable	\$ 110,402	\$ 171,364
Accrued salaries, wages and fringes	290,931	275,412
Due to other governments	9,748	50,840
Due to other funds:		
Grants Fund	3,000	-
Public Safety Pension Fund	200	-
Deferred revenue	89,120	47,572
TOTAL LIABILITIES	<u>503,401</u>	<u>545,188</u>
FUND BALANCES:		
Reserved for:		
Inventory	35,678	53,023
Prepaid expenditures	1,155	12
Unreserved:		
Undesignated	3,979,499	4,073,232
TOTAL FUND BALANCES	<u>4,016,332</u>	<u>4,126,267</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,519,733</u>	<u>\$ 4,671,455</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)	<u>2006</u>
REVENUES:				
Taxes	\$ 4,176,800	\$ 4,151,376	\$ (25,424)	\$ 3,945,204
Licenses and permits	5,200	1,550	(3,650)	1,612
Local sources	29,500	16,618	(12,882)	37,620
State grants	1,576,600	1,562,020	(14,580)	1,575,965
Federal sources	63,125	62,826	(299)	136,938
Charges for services	200,475	215,866	15,391	445,601
Fines and forfeitures	26,500	35,665	9,165	32,061
Miscellaneous	270,450	341,388	70,938	305,636
TOTAL REVENUES	<u>6,348,650</u>	<u>6,387,309</u>	<u>38,659</u>	<u>6,480,637</u>
EXPENDITURES:				
General government	1,220,520	1,121,082	99,438	1,144,263
Public safety	3,712,935	3,557,000	155,935	3,825,060
Highways, streets and public works	602,453	561,875	40,578	472,121
Sanitation	781,757	731,388	50,369	800,008
Community services	21,148	21,148	-	19,148
Recreation	612,284	593,115	19,169	534,921
Cultural	4,750	4,701	49	223
Other functions	11,000	10,508	492	10,694
TOTAL EXPENDITURES	<u>6,966,847</u>	<u>6,600,817</u>	<u>366,030</u>	<u>6,806,438</u>
EXCESS REVENUES (EXPENDITURES)	<u>(618,197)</u>	<u>(213,508)</u>	<u>404,689</u>	<u>(325,801)</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	18,042	18,042	(90,349)
Operating transfers in	708,124	709,237	1,113	709,179
Operating transfers out	(626,000)	(623,706)	2,294	(221,186)
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,124</u>	<u>103,573</u>	<u>21,449</u>	<u>397,644</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(536,073)</u>	<u>(109,935)</u>	<u>426,138</u>	<u>71,843</u>
Fund balance, beginning of year	<u>536,073</u>	<u>4,126,267</u>	<u>3,590,194</u>	<u>4,054,424</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 4,016,332</u>	<u>\$ 4,016,332</u>	<u>\$ 4,126,267</u>

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

CITY OF ESCANABA, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 2007 with comparative totals
for the year ended June 30, 2006

	<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	\$ -	\$ 1,986	\$ -	\$ 110,059	\$ -	\$ -
Investments, at market	1,538	444,139	8,495	16,572	(202)	33,781
Receivables:						
Accounts, net of bad debt allowance	-	-	-	-	112	-
Mortgages, land contracts and other notes	-	-	-	-	-	-
Accrued interest	46	5,065	121	182	170	851
Due from other funds:						
Local Street Fund	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
Due from other governments:						
State of Michigan	-	18,000	-	-	-	11,341
Local units	-	-	-	-	31,618	-
Advances to other funds	-	-	-	-	-	-
Prepaid expenses	-	200	-	-	-	-
Real estate held for resale	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,584</u>	<u>\$ 469,390</u>	<u>\$ 8,616</u>	<u>\$ 126,813</u>	<u>\$ 31,698</u>	<u>\$ 45,973</u>
LIABILITIES:						
Accounts payable	\$ -	\$ 5,988	\$ -	\$ -	\$ -	\$ 12,418
Due to other funds:						
Waste Utility Fund	-	-	-	-	-	-
Waste Water Fund	-	-	-	-	-	-
General Fund	-	-	-	-	31,698	-
Health Insurance Fund	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>5,988</u>	<u>-</u>	<u>-</u>	<u>31,698</u>	<u>12,418</u>
FUND BALANCES:						
Reserved for:						
Prepaid expenses	-	200	-	-	-	-
Long term notes receivable	-	-	-	-	-	-
Revolving loans	-	-	-	-	-	-
UPSET expenses	-	-	-	110,059	-	-
Land held for resale	-	-	-	-	-	-
Future DDA projects as listed in the TIF Development Plan	-	463,202	-	-	-	-
Unreserved:						
Undesignated	<u>1,584</u>	<u>-</u>	<u>8,616</u>	<u>16,754</u>	<u>-</u>	<u>33,555</u>
TOTAL FUND BALANCES	<u>1,584</u>	<u>463,402</u>	<u>8,616</u>	<u>126,813</u>	<u>-</u>	<u>33,555</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,584</u>	<u>\$ 469,390</u>	<u>\$ 8,616</u>	<u>\$ 126,813</u>	<u>\$ 31,698</u>	<u>\$ 45,973</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	
								2007	2006
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	112,045	\$ 108,790
125,028	-	1,034,138	800,630	80,377	155,131	1,437,819	(751)	4,136,695	4,708,306
-	-	-	-	-	-	1,093	24,892	26,097	31,078
-	-	882,725	920,903	-	679,144	-	-	2,482,772	1,866,519
1,313	-	11,354	8,743	874	1,753	14,716	1,423	46,611	45,785
-	-	142,874	-	-	-	-	-	142,874	11,538
-	3,000	-	-	-	-	-	-	3,000	-
-	82,851	-	-	-	-	-	-	112,192	126,190
-	18,580	-	-	-	-	-	-	50,198	9,825
-	-	-	-	-	-	313,200	-	313,200	336,000
-	-	-	-	-	-	-	-	200	-
-	-	-	-	-	-	8,200	-	8,200	8,200
<u>\$ 126,341</u>	<u>\$ 104,431</u>	<u>\$ 2,071,091</u>	<u>\$ 1,730,276</u>	<u>\$ 81,251</u>	<u>\$ 836,028</u>	<u>\$ 1,775,028</u>	<u>\$ 25,564</u>	<u>\$ 7,434,084</u>	<u>\$ 7,252,231</u>
\$ -	\$ -	14	\$ -	\$ -	\$ -	\$ -	\$ -	18,420	\$ 30,134
-	-	49,155	-	-	-	-	-	49,155	-
-	-	43,179	-	-	-	-	-	43,179	11,538
-	92,769	-	-	-	-	-	10,504	134,971	117,318
-	-	-	-	-	-	-	-	-	216
-	11,000	-	-	-	-	-	-	11,000	59,149
-	103,769	92,348	-	-	-	-	10,504	256,725	218,355
-	-	-	-	-	-	-	-	200	-
-	-	882,725	920,903	-	679,144	-	-	2,482,772	1,866,519
-	-	-	809,373	-	156,884	-	-	966,257	1,513,647
-	-	-	-	-	-	-	-	110,059	106,822
-	-	-	-	-	-	8,200	-	8,200	8,200
-	-	-	-	-	-	-	-	463,202	531,285
<u>126,341</u>	<u>662</u>	<u>1,096,018</u>	<u>-</u>	<u>81,251</u>	<u>-</u>	<u>1,766,828</u>	<u>15,060</u>	<u>3,146,669</u>	<u>3,007,403</u>
<u>126,341</u>	<u>662</u>	<u>1,978,743</u>	<u>1,730,276</u>	<u>81,251</u>	<u>836,028</u>	<u>1,775,028</u>	<u>15,060</u>	<u>7,177,359</u>	<u>7,033,876</u>
<u>\$ 126,341</u>	<u>\$ 104,431</u>	<u>\$ 2,071,091</u>	<u>\$ 1,730,276</u>	<u>\$ 81,251</u>	<u>\$ 836,028</u>	<u>\$ 1,775,028</u>	<u>\$ 25,564</u>	<u>\$ 7,434,084</u>	<u>\$ 7,252,231</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, 2007 with comparative totals
for the year ended June 30, 2006

	<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	\$ -	\$ 280,765	\$ 1,993	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	185,833
State grants	-	-	-	-	-	22,774
Federal sources	-	18,000	-	-	-	-
Charges for services	16,034	-	-	-	558,636	-
Fines and forfeitures	-	-	-	1,349	-	18,526
Miscellaneous	135	30,006	655	3,321	1,004	17,384
TOTAL REVENUES	<u>16,169</u>	<u>328,771</u>	<u>2,648</u>	<u>4,670</u>	<u>559,640</u>	<u>244,517</u>
EXPENDITURES:						
Public safety	-	-	-	1,273	559,491	-
Highways, streets and public works	31,239	-	-	-	-	-
Community services	-	-	-	-	-	-
Cultural	-	-	-	-	-	471,320
Urban redevelopment and housing	-	-	-	-	-	-
Economic development	-	326,190	6,829	-	-	-
Debt service	-	73,202	-	-	-	-
TOTAL EXPENDITURES	<u>31,239</u>	<u>399,392</u>	<u>6,829</u>	<u>1,273</u>	<u>559,491</u>	<u>471,320</u>
EXCESS REVENUES (EXPENDITURES)	<u>(15,070)</u>	<u>(70,621)</u>	<u>(4,181)</u>	<u>3,397</u>	<u>149</u>	<u>(226,803)</u>
OTHER FINANCING SOURCES (USES):						
Gain (loss) on sale of investments	(20)	2,738	36	42	(149)	473
Operating transfers in	15,206	-	-	-	-	238,500
Operating transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,186</u>	<u>2,738</u>	<u>36</u>	<u>42</u>	<u>(149)</u>	<u>238,973</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	116	(67,883)	(4,145)	3,439	-	12,170
Fund balances, beginning of year	<u>1,468</u>	<u>531,285</u>	<u>12,761</u>	<u>123,374</u>	<u>-</u>	<u>21,385</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,584</u>	<u>\$ 463,402</u>	<u>\$ 8,616</u>	<u>\$ 126,813</u>	<u>\$ -</u>	<u>\$ 33,555</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	
								2007	2006
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	282,758	\$ 259,186
-	-	-	-	-	-	-	-	185,833	249,897
-	5,617	-	-	-	-	-	-	28,391	52,146
-	-	-	-	-	-	-	-	18,000	-
-	-	-	-	-	-	-	183,221	757,891	458,408
-	-	-	-	-	-	-	-	19,875	29,015
<u>38,319</u>	<u>240,857</u>	<u>113,305</u>	<u>77,399</u>	<u>3,906</u>	<u>38,446</u>	<u>406,212</u>	<u>3,736</u>	<u>974,685</u>	<u>494,964</u>
<u>38,319</u>	<u>246,474</u>	<u>113,305</u>	<u>77,399</u>	<u>3,906</u>	<u>38,446</u>	<u>406,212</u>	<u>186,957</u>	<u>2,267,433</u>	<u>1,543,616</u>
-	-	-	-	-	-	-	-	560,764	265,495
-	-	-	-	-	-	232,829	75	264,143	153,209
-	246,515	-	-	-	-	-	-	246,515	48,275
-	-	-	-	-	-	-	-	471,320	486,309
10,646	-	817	859	-	876	-	-	13,198	3,761
-	-	-	-	100	-	-	-	333,119	187,239
-	-	-	-	-	-	-	-	<u>73,202</u>	<u>76,374</u>
<u>10,646</u>	<u>246,515</u>	<u>817</u>	<u>859</u>	<u>100</u>	<u>876</u>	<u>232,829</u>	<u>75</u>	<u>1,962,261</u>	<u>1,220,662</u>
<u>27,673</u>	<u>(41)</u>	<u>112,488</u>	<u>76,540</u>	<u>3,806</u>	<u>37,570</u>	<u>173,383</u>	<u>186,882</u>	<u>305,172</u>	<u>322,954</u>
(17)	-	3,648	3,660	273	2,817	5,854	323	19,678	(84,852)
-	41	-	-	-	-	-	-	253,747	221,186
-	-	(189,460)	-	-	-	(60,041)	(185,613)	(435,114)	(278,897)
<u>(17)</u>	<u>41</u>	<u>(185,812)</u>	<u>3,660</u>	<u>273</u>	<u>2,817</u>	<u>(54,187)</u>	<u>(185,290)</u>	<u>(161,689)</u>	<u>(142,563)</u>
27,656	-	(73,324)	80,200	4,079	40,387	119,196	1,592	143,483	180,391
<u>98,685</u>	<u>662</u>	<u>2,052,067</u>	<u>1,650,076</u>	<u>77,172</u>	<u>795,641</u>	<u>1,655,832</u>	<u>13,468</u>	<u>7,033,876</u>	<u>6,853,485</u>
<u>\$ 126,341</u>	<u>\$ 662</u>	<u>\$ 1,978,743</u>	<u>\$ 1,730,276</u>	<u>\$ 81,251</u>	<u>\$ 836,028</u>	<u>\$ 1,775,028</u>	<u>\$ 15,060</u>	<u>\$ 7,177,359</u>	<u>\$ 7,033,876</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 673.768	\$ 559.991
Receivables:		
Accrued interest	6.644	5.169
Due from other governments:		
State of Michigan	<u>113.286</u>	<u>115.249</u>
TOTAL ASSETS	<u>\$ 793.698</u>	<u>\$ 680.409</u>
LIABILITIES:		
Accounts payable	<u>\$ 3.367</u>	<u>\$ 4.010</u>
FUND BALANCES		
Unreserved:		
Undesignated	<u>790.331</u>	<u>676.399</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 793.698</u>	<u>\$ 680.409</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 760.000	\$ 691.343	\$ (68.657)
Winter maintenance	-	30.426	30.426
PA 48 annual maintenance fee	47,000	43,520	(3,480)
Federal sources:			
Construction grant	122,460	82,968	(39,492)
Miscellaneous:			
Interest earnings	<u>18,000</u>	<u>28,215</u>	<u>10,215</u>
TOTAL REVENUES	<u>947,460</u>	<u>876,472</u>	<u>(70,988)</u>
EXPENDITURES:			
Highways, streets and public works:			
Construction - roads and streets:			
New construction	<u>-</u>	<u>-</u>	<u>-</u>
Preservation streets:			
Patching and crack filling	54,480	163,006	(108,526)
Storm sewers	45,846	57,847	(12,001)
Grass and weed cutting	21,941	16,241	5,700
Sweeping and flushing	43,543	39,949	3,594
Capital outlay	<u>351,000</u>	<u>246,775</u>	<u>104,225</u>
Total preservation streets	<u>516,810</u>	<u>523,818</u>	<u>(7,008)</u>
Traffic services - maintenance:			
Pavement markings and signs	<u>116,065</u>	<u>63,045</u>	<u>53,020</u>
Winter maintenance:			
Snow removal	169,996	79,058	90,938
Snow plowing	68,139	51,310	16,829
Snow control	433	-	433
Ice control	<u>53,881</u>	<u>51,706</u>	<u>2,175</u>
Total winter maintenance	<u>292,449</u>	<u>182,074</u>	<u>110,375</u>
Administration engineering and record keeping	<u>65,080</u>	<u>70,344</u>	<u>(5,264)</u>
Total highways, streets and public works	<u>990,404</u>	<u>839,281</u>	<u>151,123</u>
EXCESS REVENUES (EXPENDITURES)	<u>(42,944)</u>	<u>37,191</u>	<u>80,135</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	1,741	1,741
Operating transfers in:			
General Fund	175,000	175,000	-
Operating transfers out:			
Local Street Fund	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,000</u>	<u>76,741</u>	<u>1,741</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	32,056	113,932	81,876
Fund balance, beginning of year	<u>-</u>	<u>676,399</u>	<u>676,399</u>
FUND BALANCE, END OF YEAR	<u>\$ 32,056</u>	<u>\$ 790,331</u>	<u>\$ 758,275</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 552,932	\$ 305,303
Receivables:		
Special assessments	2,505	9,671
Accrued interest	7,340	2,445
Due from other funds:		
Water Utility Fund	170,491	-
Waste Water Fund	130,783	11,538
Due from other governments:		
State of Michigan	<u>42,352</u>	<u>43,117</u>
TOTAL ASSETS	<u>\$ 906,403</u>	<u>\$ 372,074</u>
LIABILITIES:		
Accounts payable	\$ 188,679	\$ 3,528
Due to other funds:		
Land Development Fund	-	11,538
UDAG/DIAL Grant Fund	142,874	-
Deferred revenue	<u>2,505</u>	<u>9,671</u>
TOTAL LIABILITIES	<u>334,058</u>	<u>24,737</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>572,345</u>	<u>347,337</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 906,403</u>	<u>\$ 372,074</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 270.000	\$ 257.927	\$ (12.073)
Construction grant	660.000	59.311	(600.689)
Federal sources:			
Construction grant	-	149.222	149.222
Miscellaneous:			
Interest earnings	8.000	22.438	14.438
Special assessments	<u>60.000</u>	<u>7.329</u>	<u>(52.671)</u>
TOTAL REVENUES	<u>998.000</u>	<u>496.227</u>	<u>(501.773)</u>
EXPENDITURES:			
Highways, streets and public works:			
Construction - roads and streets:			
New construction	<u>1,049.000</u>	<u>277.280</u>	<u>771.720</u>
Preservation streets:			
Patching and crack filling	56.511	47.815	8.696
Storm sewers	60.987	42.045	18.942
Sweeping and flushing	38.212	40.058	(1.846)
Blading	27.437	19.980	7.457
Dust control	10.366	6.403	3.963
Street paving	<u>175.000</u>	<u>131.013</u>	<u>43.987</u>
Total preservation streets	<u>368.513</u>	<u>287.314</u>	<u>81.199</u>
Traffic services - maintenance	<u>24.631</u>	<u>30.529</u>	<u>(5.898)</u>
Winter maintenance:			
Snow removal	16.941	19.073	(2.132)
Snow plowing	66.093	30.789	35.304
Ice control	<u>30.550</u>	<u>27.268</u>	<u>3.282</u>
Total winter maintenance	<u>113.584</u>	<u>77.130</u>	<u>36.454</u>
Administration engineering and record keeping	<u>52.417</u>	<u>60.325</u>	<u>(7.908)</u>
TOTAL EXPENDITURES	<u>1,608.145</u>	<u>732.578</u>	<u>875.567</u>
EXCESS REVENUES (EXPENDITURES)	<u>(610.145)</u>	<u>(236.351)</u>	<u>373.794</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1.168)	(1.168)
Operating transfers in:			
Gas Retirement Fund	80.000	70.401	(9.599)
UDAG/DIAL Grant Fund	240.000	97.126	(142.874)
Major Street Fund	100.000	100.000	-
General Fund	<u>195.000</u>	<u>195.000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>615.000</u>	<u>461.359</u>	<u>(153.641)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	4.855	225.008	220.153
Fund balance, beginning of year	<u>-</u>	<u>347.337</u>	<u>347.337</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,855</u>	<u>\$ 572,345</u>	<u>\$ 567.490</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTENANCE FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 1,538	\$ 1,467
Receivables:		
Accrued interest	<u>46</u>	<u>1</u>
TOTAL ASSETS	<u>\$ 1,584</u>	<u>\$ 1,468</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 1,584</u>	<u>\$ 1,468</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services	\$ 21,000	\$ 16,034	\$ (4,966)
Miscellaneous:			
Interest earnings	-	135	135
TOTAL REVENUES	<u>21,000</u>	<u>16,169</u>	<u>(4,831)</u>
EXPENDITURES:			
Highways, streets and public works:			
DDA lot maintenance	21,000	16,383	4,617
Non-DDA lot maintenance	<u>17,850</u>	<u>14,856</u>	<u>2,994</u>
TOTAL EXPENDITURES	<u>38,850</u>	<u>31,239</u>	<u>7,611</u>
EXCESS REVENUES (EXPENDITURES)	<u>(17,850)</u>	<u>(15,070)</u>	<u>2,780</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(20)	(20)
Operating transfers in:			
General Fund	<u>17,500</u>	<u>15,206</u>	<u>(2,294)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,500</u>	<u>15,186</u>	<u>(2,314)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(350)	116	466
Fund balance, beginning of year	<u>350</u>	<u>1,468</u>	<u>1,118</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 1,584</u>	<u>\$ 1,584</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	June 30	
	2007	2006
ASSETS:		
Cash and equivalents	\$ 1,986	\$ 1,968
Investments, at market	444,139	550,398
Receivables:		
Accrued interest	5,065	5,386
Due from other governments	18,000	-
Prepaid expenses	200	-
TOTAL ASSETS	\$ 469,390	\$ 557,752
LIABILITIES:		
Accounts payable	\$ 5,988	\$ 22,087
Deferred revenue	-	4,380
TOTAL LIABILITIES	5,988	26,467
FUND BALANCES:		
Reserved for:		
Prepaid expenses	200	-
Future DDA projects as listed in the TIF Development Plan	463,202	531,285
TOTAL FUND BALANCES	463,402	531,285
TOTAL LIABILITIES AND FUND BALANCES	\$ 469,390	\$ 557,752

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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 280,000	\$ 280,765	\$ 765
Federal sources	-	18,000	18,000
Miscellaneous:			
Contributions from private sources	-	4,380	4,380
Interest earnings	<u>12,000</u>	<u>25,626</u>	<u>13,626</u>
TOTAL REVENUES	<u>292,000</u>	<u>328,771</u>	<u>36,771</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	55,000	57,661	(2,661)
Fringe benefits	14,500	10,973	3,527
Supplies	5,000	4,963	37
Professional services	68,500	47,652	20,848
Rental rehabilitation	100,000	57,707	42,293
Communication	2,350	2,301	49
Transportation	2,000	672	1,328
Public relations	47,000	47,329	(329)
Printing & publishing	9,500	7,018	2,482
Insurance & bonds	1,200	984	216
Public utilities	3,000	2,745	255
Maintenance of parking lots	28,000	20,605	7,395
Capital outlay	165,000	52,428	112,572
Capital outlay - equipment	1,500	260	1,240
Building maintenance	4,000	8,881	(4,881)
Maintenance of sidewalks	15,000	1,578	13,422
Equipment maintenance	1,500	675	825
Equipment rental	1,000	770	230
Books, magazines & periodicals	500	317	183
Memberships & dues	600	581	19
Education and training	<u>1,000</u>	<u>90</u>	<u>910</u>
Total economic development	<u>526,150</u>	<u>326,190</u>	<u>199,960</u>
Debt service:			
Principal retirement	52,000	52,000	-
Interest charges	<u>21,202</u>	<u>21,202</u>	<u>-</u>
Total debt service	<u>73,202</u>	<u>73,202</u>	<u>-</u>
TOTAL EXPENDITURES	<u>599,352</u>	<u>399,392</u>	<u>199,960</u>
EXCESS REVENUES (EXPENDITURES)	(307,352)	(70,621)	236,731
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>2,738</u>	<u>2,738</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(307,352)	(67,883)	239,469
Fund balance, beginning of year	<u>307,352</u>	<u>531,285</u>	<u>223,933</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 463,402</u>	<u>\$ 463,402</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BROWNFIELD FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 8.495	\$ 12.641
Receivables:		
Accrued interest	<u>121</u>	<u>120</u>
TOTAL ASSETS	<u>\$ 8.616</u>	<u>\$ 12.761</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 8.616</u>	<u>\$ 12.761</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ 2,000	\$ 1,993	\$ (7)
Miscellaneous:			
Interest earnings	<u>600</u>	<u>655</u>	<u>55</u>
TOTAL REVENUES	<u>2,600</u>	<u>2,648</u>	<u>48</u>
EXPENDITURES:			
Economic development:			
Professional services	5,000	2,993	2,007
TIF reimbursement	3,700	3,624	76
Printing & publishing	<u>-</u>	<u>212</u>	<u>(212)</u>
TOTAL EXPENDITURES	<u>8,700</u>	<u>6,829</u>	<u>1,871</u>
EXCESS REVENUES (EXPENDITURES)	(6,100)	(4,181)	1,919
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>36</u>	<u>36</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(6,100)	(4,145)	1,955
Fund balance, beginning of year	<u>6,100</u>	<u>12,761</u>	<u>6,661</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 8,616</u>	<u>\$ 8,616</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DRUG LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and equivalents:		
UPSET adjudicated funds	\$ 22,204	\$ 21,812
UPSET federal forfeiture	85,851	83,757
Non-adjudicated account	2,004	1,253
Investments, at market	16,572	17,889
Receivables:		
Accrued interest	<u>182</u>	<u>164</u>
TOTAL ASSETS	<u>\$ 126,813</u>	<u>\$ 124,875</u>
LIABILITIES:		
Accounts payable	<u>\$ -</u>	<u>\$ 1,501</u>
FUND BALANCES:		
Reserved for:		
UPSET expenses	110,059	106,822
Unreserved:		
Undesignated	<u>16,754</u>	<u>16,552</u>
TOTAL FUND BALANCES	<u>126,813</u>	<u>123,374</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 126,813</u>	<u>\$ 124,875</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Fines and forfeitures:			
Forfeiture revenue	\$ 28,000	\$ 1,349	\$ (26,651)
Miscellaneous:			
Interest earnings	<u>2,500</u>	<u>3,321</u>	<u>821</u>
TOTAL REVENUES	<u>30,500</u>	<u>4,670</u>	<u>(25,830)</u>
EXPENDITURES:			
Public safety:			
Transfers to UPSET	20,000	-	20,000
Supplies	2,000	723	1,277
Education and training	<u>-</u>	<u>550</u>	<u>(550)</u>
TOTAL EXPENDITURES	<u>22,000</u>	<u>1,273</u>	<u>20,727</u>
EXCESS REVENUES	8,500	3,397	(5,103)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>42</u>	<u>42</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	8,500	3,439	(5,061)
Fund balance, beginning of year	<u>-</u>	<u>123,374</u>	<u>123,374</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,500</u>	<u>\$ 126,813</u>	<u>\$ 118,313</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 DELTA COUNTY CENTRAL DISPATCH AUTHORITY
 COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	June 30	
	2007	2006
ASSETS:		
Investments, at market	\$ (202)	\$ 31,700
Receivables:		
Accounts, net of bad debt allowance	112	6,305
Accrued interest	170	157
Due from other governments	31,618	-
TOTAL ASSETS	\$ 31,698	\$ 38,162
LIABILITIES:		
Due to other funds:		
General Fund	\$ 31,698	\$ -
Deferred revenue	-	38,162
TOTAL LIABILITIES	31,698	38,162
FUND BALANCES:		
Unreserved:		
Undesignated	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,698	\$ 38,162

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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services:			
Service fees	\$ 595.200	\$ 558.636	\$ (36.564)
Miscellaneous:			
Interest earnings	-	1.004	1,004
TOTAL REVENUES	<u>595.200</u>	<u>559.640</u>	<u>(35.560)</u>
EXPENDITURES:			
Public safety:			
Salaries and wages	384.140	376.254	7.886
Fringe benefits	66.464	58.039	8.425
Overhead on salaries and wages	92.270	89.698	2.572
Travel expenses	1.700	1.264	436
Professional services	10.000	-	10.000
Supplies	400	34	366
Clothing supplies	2.000	-	2.000
Equipment rental	13.200	12.645	555
Communication	3.800	3.018	782
Printing & publishing	400	-	400
Capital outlay	800	3.815	(3,015)
Uniform maintenance	200	-	200
Equipment maintenance	12,925	9,252	3,673
Books, magazines & periodicals	-	136	(136)
Memberships & dues	200	125	75
Education and training	2.800	3.426	(626)
Office expense	300	50	250
Office supplies	2.000	1.735	265
TOTAL EXPENDITURES	<u>593.599</u>	<u>559.491</u>	<u>34.108</u>
EXCESS REVENUES	1.601	149	(1,452)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(149)	(149)
EXCESS REVENUES	1.601	-	(1.601)
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ 1.601</u>	<u>\$ -</u>	<u>\$ (1.601)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 33,781	\$ 14,617
Receivables:		
Accounts, net of bad debt allowance	-	1,038
Accrued interest	851	656
Due from other governments:		
State of Michigan	<u>11,341</u>	<u>10,445</u>
TOTAL ASSETS	<u>\$ 45,973</u>	<u>\$ 26,756</u>
LIABILITIES:		
Accounts payable	<u>\$ 12,418</u>	<u>\$ 5,371</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>33,555</u>	<u>21,385</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,973</u>	<u>\$ 26,756</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources:			
County contribution	\$ 75,000	\$ 29,918	\$ (45,082)
Penal fines	145,800	155,915	10,115
State grants:			
State aid	25,000	22,774	(2,226)
Fines and forfeitures:			
Book fines	20,000	18,526	(1,474)
Miscellaneous:			
Contributions from private sources	6,000	11,987	5,987
Interest earnings	3,000	3,597	597
PEC grant	-	1,800	1,800
Other	1,000	-	(1,000)
TOTAL REVENUES	<u>275,800</u>	<u>244,517</u>	<u>(31,283)</u>
EXPENDITURES:			
Cultural:			
Salaries and wages	232,358	204,871	27,487
Fringe benefits	88,293	87,594	699
Supplies	12,900	9,510	3,390
Professional services	28,800	29,964	(1,164)
Communication	4,500	2,593	1,907
Transportation	2,000	18,250	(16,250)
Printing & publishing	250	120	130
Insurance & bonds	850	751	99
Office rental	86,112	58,830	27,282
Capital outlay - equipment	3,500	4,241	(741)
Equipment maintenance	2,950	2,166	784
Equipment rental	3,000	2,015	985
Books, magazines & periodicals	47,000	48,058	(1,058)
Memberships & dues	425	118	307
Education and training	500	430	70
Public relations	-	1,809	(1,809)
TOTAL EXPENDITURES	<u>513,438</u>	<u>471,320</u>	<u>42,118</u>
EXCESS REVENUES (EXPENDITURES)	<u>(237,638)</u>	<u>(226,803)</u>	<u>10,835</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	473	473
Operating transfers in:			
General Fund	238,500	238,500	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>238,500</u>	<u>238,973</u>	<u>473</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	862	12,170	11,308
Fund balance, beginning of year	-	21,385	21,385
FUND BALANCE, END OF YEAR	<u>\$ 862</u>	<u>\$ 33,555</u>	<u>\$ 32,693</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 125,028	\$ 97,927
Receivables:		
Accrued interest	<u>1,313</u>	<u>758</u>
TOTAL ASSETS	<u>\$ 126,341</u>	<u>\$ 98,685</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 126,341</u>	<u>\$ 98,685</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Loan principal repayments	\$ 23,500	\$ 32,449	\$ 8,949
Interest earnings	<u>5,800</u>	<u>5,870</u>	<u>70</u>
TOTAL REVENUES	<u>29,300</u>	<u>38,319</u>	<u>9,019</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Rental rehabilitation	19,350	9,675	9,675
Administration	<u>1,100</u>	<u>971</u>	<u>129</u>
TOTAL EXPENDITURES	<u>20,450</u>	<u>10,646</u>	<u>9,804</u>
EXCESS REVENUES	8,850	27,673	18,823
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(17)</u>	<u>(17)</u>
EXCESS REVENUES	8,850	27,656	18,806
Fund balance, beginning of year	<u>-</u>	<u>98,685</u>	<u>98,685</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,850</u>	<u>\$ 126,341</u>	<u>\$ 117,491</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	June 30	
	2007	2006
ASSETS:		
Due from other funds:		
General Fund	\$ 3,000	\$ -
Due from other governments:		
State of Michigan	82,851	115,745
Local units	18,580	9,825
TOTAL ASSETS	\$ 104,431	\$ 125,570
LIABILITIES:		
Accounts payable	\$ -	\$ 1,175
Due to other funds:		
General Fund	92,769	106,910
Health Insurance Fund	-	216
Deferred revenue	11,000	16,607
TOTAL LIABILITIES	103,769	124,908
FUND BALANCES:		
Unreserved:		
Undesignated	662	662
TOTAL LIABILITIES AND FUND BALANCES	\$ 104,431	\$ 125,570

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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	\$ 2.675	\$ -	\$ (2.675)
State grants	53.625	5.617	(48.008)
Miscellaneous	<u>249.000</u>	<u>240.857</u>	<u>(8.143)</u>
TOTAL REVENUES	<u>305.300</u>	<u>246.474</u>	<u>(58.826)</u>
EXPENDITURES:			
Community services:			
North Shore boat launch	5.600	5.576	24
Sandpoint Lighthouse restoration	10.700	-	10.700
North Shore fishing pier	249.000	240.857	8.143
CZM Wetlands Monitoring Grant	<u>80.000</u>	<u>82</u>	<u>79.918</u>
TOTAL EXPENDITURES	<u>345.300</u>	<u>246.515</u>	<u>98.785</u>
EXCESS REVENUES (EXPENDITURES)	(40.000)	(41)	39.959
OTHER FINANCING SOURCES:			
Operating transfers in:			
Land Development Fund	<u>40,000</u>	<u>41</u>	<u>(39.959)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>662</u>	<u>662</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ 662</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 1,034,138	\$ 1,107,297
Receivables:		
Mortgages, land contracts and other notes	882,725	934,449
Accrued interest	11,354	10,321
Due from other funds:		
Local Street Fund	<u>142,874</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,071,091</u>	<u>\$ 2,052,067</u>
LIABILITIES:		
Accounts payable	\$ 14	\$ -
Due to other funds:		
Water Utility Fund	49,155	-
Waste Water Fund	<u>43,179</u>	<u>-</u>
TOTAL LIABILITIES	<u>92,348</u>	<u>-</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	882,725	934,449
Unreserved:		
Undesignated	<u>1,096,018</u>	<u>1,117,618</u>
TOTAL FUND BALANCES	<u>1,978,743</u>	<u>2,052,067</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,071,091</u>	<u>\$ 2,052,067</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 95,000	\$ 99,761	\$ 4,761
Other	10,000	13,544	3,544
TOTAL REVENUES	<u>105,000</u>	<u>113,305</u>	<u>8,305</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	1,000	817	183
EXCESS REVENUES	<u>104,000</u>	<u>112,488</u>	<u>8,488</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	3,648	3,648
Operating transfers out:			
Water Utility Fund	-	(49,155)	(49,155)
Waste Water Fund	-	(43,179)	(43,179)
Local Street Fund	(240,000)	(97,126)	142,874
TOTAL OTHER FINANCING SOURCES (USES)	<u>(240,000)</u>	<u>(185,812)</u>	<u>54,188</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(136,000)</u>	<u>(73,324)</u>	<u>62,676</u>
Fund balance, beginning of year	<u>136,000</u>	<u>2,052,067</u>	<u>1,916,067</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 1,978,743</u>	<u>\$ 1,978,743</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 800.630	\$ 1,016.933
Receivables:		
Mortgages, land contracts and other notes	920.903	623.813
Accrued interest	<u>8,743</u>	<u>9,330</u>
TOTAL ASSETS	<u>\$ 1,730,276</u>	<u>\$ 1,650,076</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 920.903	\$ 623.813
Revolving loans	<u>809,373</u>	<u>1,026,263</u>
TOTAL FUND BALANCES	<u>\$ 1,730,276</u>	<u>\$ 1,650,076</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 62,500	\$ 77,399	\$ 14,899
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>2,000</u>	<u>859</u>	<u>1,141</u>
EXCESS REVENUES	60,500	76,540	16,040
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>3,660</u>	<u>3,660</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	60,500	80,200	19,700
Fund balance, beginning of year	<u>-</u>	<u>1,650,076</u>	<u>1,650,076</u>
FUND BALANCE, END OF YEAR	<u>\$ 60,500</u>	<u>\$ 1,730,276</u>	<u>\$ 1,669,776</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOMES GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 80,377	\$ 76,442
Receivables:		
Accrued interest	<u>874</u>	<u>730</u>
TOTAL ASSETS	<u>\$ 81,251</u>	<u>\$ 77,172</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 81,251</u>	<u>\$ 77,172</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 3.200	\$ 3.906	\$ 706
EXPENDITURES:			
Economic development:			
Administration	250	100	150
EXCESS REVENUES	2.950	3.806	856
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	273	273
EXCESS REVENUES AND OTHER FINANCING SOURCES	2.950	4.079	1.129
Fund balance, beginning of year	-	77,172	77,172
FUND BALANCE, END OF YEAR	<u>\$ 2.950</u>	<u>\$ 81,251</u>	<u>\$ 78,301</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 155,131	\$ 482,969
Receivables:		
Mortgages, land contracts and other notes	679,144	308,257
Accrued interest	<u>1,753</u>	<u>4,415</u>
TOTAL ASSETS	<u>\$ 836,028</u>	<u>\$ 795,641</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 679,144	\$ 308,257
Revolving loans	<u>156,884</u>	<u>487,384</u>
TOTAL FUND BALANCES	<u>\$ 836,028</u>	<u>\$ 795,641</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 32,000	\$ 38,446	\$ 6,446
EXPENDITURES:			
Urban redevelopment and housing:			
Professional services	2,000	876	1,124
EXCESS REVENUES	30,000	37,570	7,570
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	2,817	2,817
EXCESS REVENUES AND OTHER FINANCING SOURCES	30,000	40,387	10,387
Fund balance, beginning of year	-	795,641	795,641
FUND BALANCE, END OF YEAR	<u>\$ 30,000</u>	<u>\$ 836,028</u>	<u>\$ 806,028</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 1,437,819	\$ 1,299,110
Receivables:		
Accounts, net of bad debt allowance	1,093	-
Accrued interest	14,716	12,522
Due from other funds:		
Local Street Fund	-	11,538
Advance to other funds	313,200	336,000
Real estate held for resale	<u>8,200</u>	<u>8,200</u>
TOTAL ASSETS	<u>\$ 1,775,028</u>	<u>\$ 1,667,370</u>
LIABILITIES:		
Due to other funds:		
Waste Water Fund	<u>\$ -</u>	<u>\$ 11,538</u>
FUND BALANCES:		
Reserved for:		
Land held for resale	8,200	8,200
Unreserved:		
Undesignated	<u>1,766,828</u>	<u>1,647,632</u>
TOTAL FUND BALANCES	<u>1,775,028</u>	<u>1,655,832</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,775,028</u>	<u>\$ 1,667,370</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, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Special assessments	\$ 2,750	\$ -	\$ (2,750)
Interest earnings	65,000	79,610	14,610
Rents	-	4,978	4,978
Sale of property	125,000	315,492	190,492
Sale of sand/topsoil	<u>2,500</u>	<u>6,132</u>	<u>3,632</u>
TOTAL REVENUES	<u>195,250</u>	<u>406,212</u>	<u>210,962</u>
EXPENDITURES:			
Highways, streets and public works:			
Supplies	-	849	(849)
Professional services	6,000	3,151	2,849
Capital outlay	222,750	216,009	6,741
Property taxes	<u>13,000</u>	<u>12,820</u>	<u>180</u>
TOTAL EXPENDITURES	<u>241,750</u>	<u>232,829</u>	<u>8,921</u>
EXCESS REVENUES (EXPENDITURES)	<u>(46,500)</u>	<u>173,383</u>	<u>219,883</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	5,854	5,854
Operating transfers out:			
Grants Fund	(40,000)	(41)	39,959
General Fund	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>	<u>(54,187)</u>	<u>45,813</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(146,500)</u>	<u>119,196</u>	<u>265,696</u>
Fund balance, beginning of year	<u>146,500</u>	<u>1,655,832</u>	<u>1,509,332</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 1,775,028</u>	<u>\$ 1,775,028</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND
COMPARATIVE BALANCE SHEET

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ (751)	\$ (1,084)
Receivables:		
Accounts, net of bad debt allowance	24,892	23,735
Accrued interest	<u>1,423</u>	<u>1,225</u>
TOTAL ASSETS	<u>\$ 25,564</u>	<u>\$ 23,876</u>
LIABILITIES:		
Due to other funds:		
General Fund	<u>\$ 10,504</u>	<u>\$ 10,408</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>15,060</u>	<u>13,468</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,564</u>	<u>\$ 23,876</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services:			
Metered sales	\$ 181,000	\$ 183,221	\$ 2,221
Miscellaneous:			
Interest earnings	<u>3,500</u>	<u>3,736</u>	<u>236</u>
TOTAL REVENUES	<u>184,500</u>	<u>186,957</u>	<u>2,457</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	100	100	-
Uncollectible accounts	<u>100</u>	<u>(25)</u>	<u>125</u>
TOTAL EXPENDITURES	<u>200</u>	<u>75</u>	<u>125</u>
EXCESS REVENUES	<u>184,300</u>	<u>186,882</u>	<u>2,582</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	323	323
Operating transfers out:			
General Fund	<u>(184,500)</u>	<u>(185,613)</u>	<u>(1,113)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(184,500)</u>	<u>(185,290)</u>	<u>(790)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(200)	1,592	1,792
Fund balance, beginning of year	<u>200</u>	<u>13,468</u>	<u>13,268</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 15,060</u>	<u>\$ 15,060</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, 2007
with comparative totals for June 30, 2006

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Marina Fund	Totals	
					2007	2006
CASH FLOWS FROM ACTIVITIES:						
Cash received from customers	\$ 14,834,608	\$ -	\$ -	\$ 253,467	\$ 15,088,075	\$ 14,350,528
Cash received from other funds for purchase of receivables	-	1,399,786	1,065,836	-	2,465,622	2,523,293
Cash received from other funds for services	-	-	7,670	-	7,670	6,547
Cash payments to suppliers for goods and services	(13,556,745)	(324,607)	(427,644)	(136,544)	(14,445,540)	(19,123,596)
Cash payments to employees for services	(497,002)	(625,252)	(443,769)	(58,725)	(1,624,748)	(1,702,166)
Cash payments to other funds for services	(19,505)	(45,051)	(30,652)	(7,516)	(102,724)	(86,684)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>761,356</u>	<u>404,876</u>	<u>171,441</u>	<u>50,682</u>	<u>1,388,355</u>	<u>(4,032,078)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	12,292	-	-	(35,092)	(22,800)	(5,000)
Operating transfers out	(463,624)	-	-	-	(463,624)	(463,624)
Operating transfers in	-	-	-	-	-	11,538
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(451,332)</u>	<u>-</u>	<u>-</u>	<u>(35,092)</u>	<u>(486,424)</u>	<u>(457,086)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from revenue bonds	-	270,007	-	-	270,007	-
Contribution of capital assets	9,200	-	-	-	9,200	64,636
Acquisition and construction of capital assets	(248,525)	(707,352)	-	-	(955,877)	(639,807)
Principal paid on revenue bond maturities	-	(115,000)	(115,000)	-	(230,000)	(225,000)
Interest paid	-	(61,813)	(26,831)	(17,292)	(105,936)	(111,883)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(239,325)</u>	<u>(614,158)</u>	<u>(141,831)</u>	<u>(17,292)</u>	<u>(1,012,606)</u>	<u>(912,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	77,208	2,237	7,524	221	87,190	(388,778)
Interest received	947,249	22,740	111,598	2,901	1,084,488	1,047,145
Rent received	-	27,168	-	-	27,168	13,800
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,024,457</u>	<u>52,145</u>	<u>119,122</u>	<u>3,122</u>	<u>1,198,846</u>	<u>672,167</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,095,156	(157,137)	148,732	1,420	1,088,171	(4,729,051)
Cash and equivalents, beginning of year	<u>17,323,187</u>	<u>533,630</u>	<u>2,393,835</u>	<u>85,588</u>	<u>20,336,240</u>	<u>25,065,291</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 18,418,343</u>	<u>\$ 376,493</u>	<u>\$ 2,542,567</u>	<u>\$ 87,008</u>	<u>\$ 21,424,411</u>	<u>\$ 20,336,240</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (99,848)	\$ 5,642	\$ (42,512)	\$ (11,873)	\$ (148,591)	\$ (2,558,357)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	851,985	244,339	202,562	62,612	1,361,498	1,510,928
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(645,501)	(19,237)	1,405	(622)	(663,955)	213,943
(Increase) decrease in inventory	2,750	7,176	(2,433)	1,561	9,054	(1,015,567)
(Increase) decrease in prepaid expenses	(6,700)	-	-	-	(6,700)	(33,520)
Increase (decrease) in accounts payable	638,977	155,705	(3,261)	(996)	790,425	(2,152,183)
Increase (decrease) in accruals	(1,943)	11,251	15,680	-	24,988	893
Increase (decrease) in customer deposits	21,636	-	-	-	21,636	1,785
Total adjustments	<u>861,204</u>	<u>399,234</u>	<u>213,953</u>	<u>62,555</u>	<u>1,536,946</u>	<u>(1,473,721)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 761,356</u>	<u>\$ 404,876</u>	<u>\$ 171,441</u>	<u>\$ 50,682</u>	<u>\$ 1,388,355</u>	<u>\$ (4,032,078)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Cash	\$ 413	\$ 42,412
Investments, at market	18,417,930	17,280,775
Receivables:		
Accounts	2,315,872	1,670,371
Accrued interest	203,916	174,022
Inventories, net of obsolescence allowance	2,612,175	2,614,925
Prepaid expenses	<u>197,704</u>	<u>191,004</u>
Total current assets	<u>23,748,010</u>	<u>21,973,509</u>
Advance to Marina Fund	<u>-</u>	<u>12,292</u>
Property, plant and equipment	28,625,677	28,399,840
Less accumulated depreciation	<u>(20,936,839)</u>	<u>(20,107,542)</u>
Net property, plant and equipment	<u>7,688,838</u>	<u>8,292,298</u>
TOTAL ASSETS	<u>\$ 31,436,848</u>	<u>\$ 30,278,099</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,007,282	\$ 368,305
Customer deposits	191,995	170,359
Accrued salaries, wages and fringes	<u>88,084</u>	<u>90,027</u>
Total current liabilities	<u>1,287,361</u>	<u>628,691</u>
NET ASSETS:		
Invested in capital assets, net of related debt	7,688,838	8,292,298
Unrestricted	<u>22,460,649</u>	<u>21,357,110</u>
TOTAL NET ASSETS	<u>30,149,487</u>	<u>29,649,408</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,436,848</u>	<u>\$ 30,278,099</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, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Charges for services:		
Residential sales	\$ 3,569,619	\$ 2,639,429
Hot water sales	38,166	28,852
Electric heat sales	34,207	25,581
Commercial sales	4,612,924	3,508,675
Industrial sales	5,039,184	3,625,950
Municipal rate sales	579,514	430,375
Street lighting	161,441	114,101
Fuel surcharge	(2)	1,830,937
Generator capacity payments	-	124,274
Interchange revenue	1,297,247	1,473,259
Connection charges	18,892	18,063
Dusk to dawn lighting	53,868	46,693
Miscellaneous revenues	53,413	38,809
TOTAL OPERATING REVENUES	<u>15,458,473</u>	<u>13,904,998</u>
OPERATING EXPENSES:		
Production	12,944,184	13,795,806
Transmission and distribution	371,524	332,949
Customer service	29,087	38,992
Administrative and general	925,000	779,723
Provision for depreciation	851,985	1,000,475
Overhead to utilities	436,541	441,415
TOTAL OPERATING EXPENSES	<u>15,558,321</u>	<u>16,389,360</u>
OPERATING INCOME (LOSS)	<u>(99,848)</u>	<u>(2,484,362)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	77,208	(338,325)
Interest earnings	977,143	875,042
Operating transfers out:		
General Fund	(463,624)	(463,624)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>590,727</u>	<u>73,093</u>
CHANGE IN NET ASSETS	490,879	(2,411,269)
Net assets, beginning of year	29,649,408	31,996,041
Add: Contribution to capital	9,200	64,636
NET ASSETS, END OF YEAR	<u>\$ 30,149,487</u>	<u>\$ 29,649,408</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, 2007
with comparative totals for June 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$14,834,608	\$14,111,029
Cash payments to suppliers for goods and services	(13,556,745)	(17,976,021)
Cash payments to employees for services	(497,002)	(569,420)
Cash payments to other funds for services	<u>(19,505)</u>	<u>(22,525)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>761,356</u>	<u>(4,456,937)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	12,292	11,820
Operating transfers out	<u>(463,624)</u>	<u>(463,624)</u>
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(451,332)</u>	<u>(451,804)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Contribution of capital assets	9,200	64,636
Acquisition and construction of capital assets	<u>(248,525)</u>	<u>(479,812)</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(239,325)</u>	<u>(415,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	77,208	(338,325)
Interest received	<u>947,249</u>	<u>920,692</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,024,457</u>	<u>582,367</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,095,156	(4,741,550)
Cash and equivalents, beginning of year	<u>17,323,187</u>	<u>22,064,737</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$18,418,343</u>	<u>\$17,323,187</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (99,848)	\$(2,484,362)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	851,985	1,000,475
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(645,501)	204,246
(Increase) decrease in inventories	2,750	(926,018)
(Increase) decrease in prepaid expenses	(6,700)	(33,520)
Increase (decrease) in accounts payable	638,977	(2,212,937)
Increase (decrease) in accruals	(1,943)	(6,606)
Increase (decrease) in customer deposits	<u>21,636</u>	<u>1,785</u>
Total adjustments	<u>861,204</u>	<u>(1,972,575)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 761,356</u>	<u>\$(4,456,937)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	June 30		
	2007	2006	Increase (Decrease)
OPERATING EXPENSES:			
Production:			
Equipment rental	\$ 880	\$ 1,900	\$ (1,020)
Power purchased	11,621,308	12,289,644	\$ (668,336)
Standby power	1,003,700	1,074,133	(70,433)
Production expense	248,681	364,671	(115,990)
Management fees	38,848	36,620	2,228
Dispatching fees	30,767	28,838	1,929
Total production	<u>\$ 12,944,184</u>	<u>\$ 13,795,806</u>	<u>\$ (851,622)</u>
Transmission and distribution:			
Supplies	\$ 4,695	\$ 1,439	\$ 3,256
Equipment rental	352	1,448	(1,096)
Building maintenance	200	1,160	(960)
Equipment maintenance	1,325	1,187	138
Pole painting	7,728	7,297	431
Operation of lines	110,222	103,756	6,466
Services on customer premises	5,949	6,146	(197)
Maintenance of equipment:			
Station equipment	9,396	10,703	(1,307)
Overhead system	82,998	58,505	24,493
Line transformers and devices	10,510	6,504	4,006
Services	32,368	33,468	(1,100)
Meters	52,435	45,099	7,336
Street lighting system	44,957	34,183	10,774
Underground system	5,522	19,679	(14,157)
Miscellaneous	2,867	2,375	492
Total transmission and distribution	<u>\$ 371,524</u>	<u>\$ 332,949</u>	<u>\$ 38,575</u>
Customer service:			
Salaries and wages	\$ 17,907	\$ 28,873	\$ (10,966)
Equipment rental	11,180	10,119	1,061
Total customer service	<u>\$ 29,087</u>	<u>\$ 38,992</u>	<u>\$ (9,905)</u>
Administrative and general:			
Salaries and wages	\$ 352,944	\$ 388,094	\$ (35,150)
Fringe benefits	124,208	145,847	(21,639)
Supplies	3,197	3,143	54
Clothing supplies	3,441	3,644	(203)
Building supplies	1,334	1,504	(170)
Inventory management	7,893	10,102	(2,209)
Professional services	259,310	71,963	187,347
Transportation	486	11	475
Printing & publishing	302	1,250	(948)
Insurance & bonds	22,314	23,383	(1,069)
Public utilities	30,401	28,348	2,053
Building maintenance	32,382	22,482	9,900
Equipment maintenance	3,382	5,109	(1,727)
Equipment rental	7,093	9,058	(1,965)
Books, magazines & periodicals	460	601	(141)
Memberships & dues	20,668	14,444	6,224
Education and training	31,110	23,752	7,358
Provision for uncollectible accounts	(2,005)	2,311	(4,316)
Promotions	26,080	24,677	1,403
Total administrative and general	<u>\$ 925,000</u>	<u>\$ 779,723</u>	<u>\$ 145,277</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, 2007

	Balance 06/30/06	Additions	Retirements, Dispositions and Transfers	Balance 06/30/07
Operating plant:				
Structure and improvements	\$ 5,158,960	\$ 25,237	\$ -	\$ 5,184,197
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>17,038,558</u>	<u>25,237</u>	<u>-</u>	<u>17,063,795</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	-	-	249,385
Poles, towers and fixtures	1,149,780	12,890	11,088	1,151,582
Overhead conductors and devices	1,105,647	22,876	-	1,128,523
Underground conduits	594,126	22,312	-	616,438
Underground conductors	772,183	12,745	-	784,928
Line transformers	1,783,795	106,828	2,000	1,888,623
New services	690,244	1,833	-	692,077
Meters	508,855	9,631	9,600	508,886
Installation on customer premises	73,510	850	-	74,360
Street lighting	740,649	173	-	740,822
Office equipment	94,922	918	-	95,840
Transportation equipment	567,045	-	-	567,045
Laboratory equipment	96,078	-	-	96,078
Electric building	1,451,274	-	-	1,451,274
Miscellaneous tools	68,937	9,786	-	78,723
Miscellaneous equipment	<u>51,722</u>	<u>-</u>	<u>-</u>	<u>51,722</u>
	<u>10,094,955</u>	<u>200,842</u>	<u>22,688</u>	<u>10,273,109</u>
Construction in progress	<u>1,201</u>	<u>22,446</u>	<u>-</u>	<u>23,647</u>
TOTALS	<u>\$28,399,840</u>	<u>\$ 248,525</u>	<u>\$ 22,688</u>	<u>\$28,625,677</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 258,712	\$ 415,802
Receivables:		
Accounts	203,069	183,832
Accrued interest	4,659	4,657
Due from other funds	49,155	-
Due from other governments	428,018	-
Chemical inventory	7,987	6,346
Inventories, net of obsolescence allowance	<u>81,118</u>	<u>89,935</u>
Total current assets	<u>1,032,718</u>	<u>700,572</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	<u>117,781</u>	<u>117,828</u>
Property, plant and equipment	14,323,605	13,473,015
Less accumulated depreciation	<u>(5,110,512)</u>	<u>(4,893,426)</u>
Net property, plant and equipment	<u>9,213,093</u>	<u>8,579,589</u>
TOTAL ASSETS	<u>\$ 10,363,592</u>	<u>\$ 9,397,989</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 232,999	\$ 77,294
Accrued salaries, wages and fringes	90,476	79,225
Accrued interest payable	15,094	15,812
Due to other funds	170,491	-
Bonds payable:		
Current portion of revenue bonds	<u>115,000</u>	<u>115,000</u>
Total current liabilities	<u>624,060</u>	<u>287,331</u>
Long-term liabilities:		
Bonds payable	<u>2,998,025</u>	<u>2,415,000</u>
TOTAL LIABILITIES	<u>3,622,085</u>	<u>2,702,331</u>
NET ASSETS:		
Invested in capital assets, net of related debt	5,929,577	6,049,589
Unrestricted	694,149	528,241
Restricted:		
Revenue bond indentures	<u>117,781</u>	<u>117,828</u>
TOTAL NET ASSETS	<u>6,741,507</u>	<u>6,695,658</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,363,592</u>	<u>\$ 9,397,989</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,312,741	\$ 1,324,722
Flat rate sales	8,708	6,153
Hydrant rental	76,305	76,839
Reconnection fees	3,813	3,252
Miscellaneous revenues	<u>17,456</u>	<u>15,100</u>
TOTAL OPERATING REVENUES	<u>1,419,023</u>	<u>1,426,066</u>
OPERATING EXPENSES:		
Production	289,971	307,940
Transmission and distribution	190,502	160,518
Customer service	38,094	36,113
Administrative and general	501,120	512,536
Provision for depreciation	244,339	245,179
Overhead to utilities	<u>149,355</u>	<u>151,655</u>
TOTAL OPERATING EXPENSES	<u>1,413,381</u>	<u>1,413,941</u>
OPERATING INCOME	<u>5,642</u>	<u>12,125</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	2,237	(8,839)
Rent received	27,168	13,800
Interest earnings	22,742	21,818
Interest expense	(61,095)	(63,937)
Operating transfers in:		
UDAG/DIAL Grant Fund	<u>49,155</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>40,207</u>	<u>(37,158)</u>
CHANGE IN NET ASSETS	45,849	(25,033)
Net assets, beginning of year	<u>6,695,658</u>	<u>6,720,691</u>
NET ASSETS, END OF YEAR	<u>\$ 6,741,507</u>	<u>\$ 6,695,658</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, 2007
with comparative totals for June 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from other funds for purchase of receivables	\$ 1,399,786	\$ 1,439,472
Cash payments to suppliers for goods and services	(324,607)	(534,391)
Cash payments to employees for services	(625,252)	(643,496)
Cash payments to other funds for services	<u>(45,051)</u>	<u>(27,182)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>404,876</u>	<u>234,403</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(707,352)	(112,384)
Principal paid on revenue bond maturities	(115,000)	(110,000)
Interest paid on bonds	(61,813)	(64,625)
Proceeds from revenue bonds	<u>270,007</u>	<u>-</u>
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(614,158)</u>	<u>(287,009)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	2,237	(8,839)
Interest received	22,740	22,776
Rent received	<u>27,168</u>	<u>13,800</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>52,145</u>	<u>27,737</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(157,137)	(24,869)
Cash and equivalents, beginning of year	<u>533,630</u>	<u>558,499</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 376,493</u>	<u>\$ 533,630</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 5,642	\$ 12,125
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	244,339	245,179
Changes in assets and liabilities:		
(Increase) decrease in receivables	(19,237)	13,406
(Increase) decrease in inventories	7,176	(89,743)
Increase (decrease) in accounts payable	155,705	53,897
Increase (decrease) in accruals	<u>11,251</u>	<u>(461)</u>
Total adjustments	<u>399,234</u>	<u>222,278</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 404,876</u>	<u>\$ 234,403</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, 2007 and 2006

	June 30		
	2007	2006	Increase (Decrease)
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 175,408	\$ 173,360	\$ 2,048
Plant chemicals	77,228	72,344	4,884
Laboratory chemicals and supplies	16,859	21,162	(4,303)
Professional services	7,369	3,724	3,645
Diesel fuel	708	1,742	(1,034)
Repairs to structure - labor	27	26	1
Repairs to structures - supplies	112	1,285	(1,173)
Repairs to equipment - portable	11,739	34,232	(22,493)
Repairs to tanks	257	35	222
Equipment rental - structures and improvement	-	30	(30)
Equipment rental - maintenance of equipment	264	-	264
Total Production	\$ 289,971	\$ 307,940	\$ (17,969)
Transmission and distribution:			
Labor	\$ 125,870	\$ 116,768	\$ 9,102
Supplies	29,291	26,385	2,906
Equipment rental	35,341	17,365	17,976
Total Transmission and Distribution	\$ 190,502	\$ 160,518	\$ 29,984
Customer service:			
Labor	\$ 25,600	\$ 24,943	\$ 657
Supplies	1,851	3,835	(1,984)
Thawing water services	2,831	-	2,831
Equipment rental	7,812	7,335	477
Total Customer Service	\$ 38,094	\$ 36,113	\$ 1,981
Administrative and general:			
Salaries and wages	\$ 104,235	\$ 115,360	\$ (11,125)
Telephone	4,785	4,446	339
Overhead on salaries and wages	105,094	107,475	(2,381)
Life and hospital insurance	100,296	105,129	(4,833)
Supplies - miscellaneous	1,681	2,413	(732)
Office supplies	792	752	40
Building supplies	811	748	63
Professional services	608	1,575	(967)
Special services	9,126	5,047	4,079
Miss Dig	11,500	14,695	(3,195)
Travel expense, auto allowance	2,208	2,306	(98)
Printing and publishing	2,869	3,395	(526)
Insurance and bonds	15,677	17,057	(1,380)
Utilities - electric	90,173	76,640	13,533
Utilities - gas	36,452	41,896	(5,444)
Utilities - wastewater	7,670	6,547	1,123
Repairs to structures	800	530	270
Repairs to equipment	993	444	549
Rental of equipment	1,634	2,452	(818)
Uncollectible accounts	(179)	247	(426)
Memberships and dues	453	400	53
Education and training	3,293	2,867	426
Books, magazines and periodicals	149	-	149
Capital outlay	-	115	(115)
Total Administrative and General	\$ 501,120	\$ 512,536	\$ (11,416)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2007	\$ 115.000	\$ 30.188	\$ 145.188
April 1, 2008	-	28.750	28.750
October 1, 2008	120.000	28.750	148.750
April 1, 2009	-	27.250	27.250
October 1, 2009	120.000	27.250	147.250
April 1, 2010	-	25.750	25.750
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	<u>170.000</u>	<u>2.125</u>	<u>172.125</u>
	<u>\$2,415.000</u>	<u>\$ 549.062</u>	<u>\$2,964.062</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, 2007

	<u>Balance 06/30/06</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 06/30/07</u>
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Filter plant	6,230,879	-	11,045	6,219,834
Water towers	556,356	-	-	556,356
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	5,031,920	-	-	5,031,920
Meters	377,738	17,584	20,458	374,864
Hydrants	83,562	-	-	83,562
Office furniture and equipment	77,939	-	-	77,939
Laboratory equipment	38,242	-	-	38,242
Miscellaneous equipment	16,799	-	-	16,799
Tools and works equipment	<u>110,805</u>	<u>10,495</u>	<u>-</u>	<u>121,300</u>
Subtotal	13,458,515	28,079	31,503	13,455,091
Construction in progress	<u>14,500</u>	<u>854,014</u>	<u>-</u>	<u>868,514</u>
TOTALS	<u>\$13,473,015</u>	<u>\$ 882,093</u>	<u>\$ 31,503</u>	<u>\$14,323,605</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 2,313,833	\$ 2,162,515
Receivables:		
Accounts	142,546	143,951
Accrued interest	26,148	21,327
Due from other funds	43,179	11,538
Chemical inventory	<u>6,430</u>	<u>3,997</u>
Total current assets	<u>2,532,136</u>	<u>2,343,328</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	92,884	95,470
Replacement account:		
Equity in pooled cash and investments	50,000	50,000
Bond reserve account:		
Investments, at market	<u>85,850</u>	<u>85,850</u>
Total restricted assets	<u>228,734</u>	<u>231,320</u>
Property, plant and equipment	11,748,810	11,618,027
Less accumulated depreciation	<u>(5,039,005)</u>	<u>(4,836,443)</u>
Net property, plant and equipment	<u>6,709,805</u>	<u>6,781,584</u>
TOTAL ASSETS	<u>\$ 9,470,675</u>	<u>\$ 9,356,232</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,156	\$ 5,417
Accrued salaries, wages and fringes	94,999	79,319
Accrued interest payable	6,407	7,010
Due to other funds	130,783	11,538
Payable from restricted assets:		
Current portion of revenue bonds	<u>125,000</u>	<u>115,000</u>
Total current liabilities	<u>359,345</u>	<u>218,284</u>
Long-term liabilities:		
Revenue bonds payable	<u>1,075,000</u>	<u>1,200,000</u>
TOTAL LIABILITIES	<u>1,434,345</u>	<u>1,418,284</u>
NET ASSETS:		
Invested in capital assets, net of related debt	5,379,022	5,466,584
Unrestricted	2,428,574	2,240,044
Restricted:		
Revenue bond indentures	<u>228,734</u>	<u>231,320</u>
TOTAL NET ASSETS	<u>8,036,330</u>	<u>7,937,948</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,470,675</u>	<u>\$ 9,356,232</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,054,197	\$ 1,077,290
Interdepartmental sales	7,670	6,547
Reconnection fees	1,922	2,346
Miscellaneous revenues	<u>8,312</u>	<u>12,110</u>
TOTAL OPERATING REVENUES	<u>1,072,101</u>	<u>1,098,293</u>
OPERATING EXPENSES:		
Production	301,467	288,854
Transmission and distribution	58,134	113,227
Station	18,646	26,514
Customer service	23,773	25,789
Administrative and general	367,369	346,509
Provision for depreciation	202,562	202,662
Overhead to utilities	<u>142,662</u>	<u>142,088</u>
TOTAL OPERATING EXPENSES	<u>1,114,613</u>	<u>1,145,643</u>
OPERATING INCOME (LOSS)	<u>(42,512)</u>	<u>(47,350)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	7,524	(40,525)
Interest earnings	116,419	99,302
Interest expense	(26,228)	(28,641)
Operating transfers in:		
Land Development Fund	-	11,538
UDAG/DIAL Grant Fund	<u>43,179</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>140,894</u>	<u>41,674</u>
CHANGE IN NET ASSETS	98,382	(5,676)
Net assets, beginning of year	<u>7,937,948</u>	<u>7,943,624</u>
NET ASSETS, END OF YEAR	<u>\$ 8,036,330</u>	<u>\$ 7,937,948</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, 2007
with comparative totals for June 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from other funds for purchase of receivables	\$ 1,065,836	\$ 1,083,821
Cash received from other funds for services	7,670	6,547
Cash payments to suppliers for goods and services	(427,644)	(494,998)
Cash payments to employees for services	(443,769)	(406,616)
Cash payments to other funds for services	<u>(30,652)</u>	<u>(28,170)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>171,441</u>	<u>160,584</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers in	<u>-</u>	<u>11,538</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(47,611)
Principal paid on revenue bond maturities	(115,000)	(115,000)
Interest paid on revenue bonds	<u>(26,831)</u>	<u>(29,244)</u>
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(141,831)</u>	<u>(191,855)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	7,524	(40,525)
Interest received	<u>111,598</u>	<u>100,893</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>119,122</u>	<u>60,368</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	148,732	40,635
Cash and equivalents, beginning of year	<u>2,393,835</u>	<u>2,353,200</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 2,542,567</u>	<u>\$ 2,393,835</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (42,512)	\$ (47,350)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	202,562	202,662
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,405	(7,925)
(Increase) decrease in chemical inventory and prepaids	(2,433)	2,762
Increase (decrease) in accounts payable	(3,261)	2,475
Increase (decrease) in accruals	<u>15,680</u>	<u>7,960</u>
Total adjustments	<u>213,953</u>	<u>207,934</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 171,441</u>	<u>\$ 160,584</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, 2007 and 2006

	June 30		
	2007	2006	Increase (Decrease)
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 161,256	\$ 147,902	\$ 13,354
Supplies - miscellaneous	-	514	(514)
Plant chemicals	30,412	30,116	296
Laboratory chemicals and supplies	4,071	2,677	1,394
NPDES and permit testing	9,166	11,207	(2,041)
Sludge hauling	16,826	15,354	1,472
Sludge fee	2,121	1,458	663
Diesel fuel	660	1,138	(478)
Repairs to structure - labor	5,569	4,487	1,082
Repairs to structures - supplies	225	699	(474)
Repairs to equipment - outside vendors	1,295	1,089	206
Repairs to equipment - labor	47,220	53,068	(5,848)
Repairs to equipment - supplies	21,234	17,178	4,056
Rental of equipment	1,412	1,967	(555)
	<u>\$ 301,467</u>	<u>\$ 288,854</u>	<u>\$ 12,613</u>
Total Production			
Transmission and distribution:			
Salaries and wages	\$ 23,181	\$ 20,880	\$ 2,301
Fringe benefits	28	566	(538)
Supplies - miscellaneous	72	473	(401)
Repairs to structures - supplies	11,472	69,592	(58,120)
Rental of equipment	-	617	(617)
Rental of equipment	20,218	17,688	2,530
Repairs to structure - inspection	3,163	3,411	(248)
	<u>\$ 58,134</u>	<u>\$ 113,227</u>	<u>\$ (55,093)</u>
Total Transmission and Distribution			
Station:			
Salaries and wages	\$ 9,737	\$ 10,278	\$ (541)
Repairs to structures - supplies	44	-	44
Repairs to equipment - labor	2,619	7,381	(4,762)
Repairs to equipment - supplies	696	3,816	(3,120)
Rental of equipment	5,550	5,039	511
	<u>\$ 18,646</u>	<u>\$ 26,514</u>	<u>\$ (7,868)</u>
Total Station			
Customer service:			
Rental of equipment	\$ 2,399	\$ 2,419	\$ (20)
Labor - metering and servicing	21,374	23,370	(1,996)
	<u>\$ 23,773</u>	<u>\$ 25,789</u>	<u>\$ (2,016)</u>
Total Customer Service			
Administrative and general:			
Salaries and wages	\$ 82,622	\$ 74,586	\$ 8,036
Printing publishing	289	176	113
Telephone	3,282	3,107	175
Overhead on salaries and wages	85,617	83,499	2,118
Life and hospital insurance	75,634	76,865	(1,231)
Supplies - miscellaneous	52	63	(11)
Office supplies	390	209	181
Building supplies	736	779	(43)
Professional services	1,888	1,815	73
Special services	415	354	61
Miss Dig	290	284	6
Travel expense, auto allowance	1,236	1,249	(13)
Insurance and bonds	17,038	18,674	(1,636)
Utilities - electric	82,813	68,288	14,525
Utilities - gas	8,967	11,025	(2,058)

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, 2007 and 2006

	<u>June 30</u>		
	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Repairs to equipment	\$ 2,846	\$ 2,659	\$ 187
Rental of equipment	1,073	1,057	16
Uncollectible accounts	(138)	192	(330)
Memberships and dues	308	265	43
Education and training	<u>2,011</u>	<u>1,363</u>	<u>648</u>
Total Administrative and General	<u>\$ 367,369</u>	<u>\$ 346,509</u>	<u>\$ 20,860</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2007

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, 2007	2.25%	\$ 50,000	\$ 7,312	\$ 57,312
April 1, 2008	2.25%	-	6,750	6,750
October 1, 2008	2.25%	50,000	6,750	56,750
April 1, 2009	2.25%	-	6,188	6,188
October 1, 2009	2.25%	50,000	6,187	56,187
April 1, 2010	2.25%	-	5,625	5,625
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>\$ 650,000</u>	<u>\$ 91,237</u>	<u>\$ 741,237</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2007

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2007	2.00%	\$ 75,000	\$ 5,500	\$ 80,500
April 1, 2008	2.00%	-	4,750	4,750
October 1, 2008	2.00%	75,000	4,750	79,750
April 1, 2009	2.00%	-	4,000	4,000
October 1, 2009	2.00%	75,000	4,000	79,000
April 1, 2010	2.00%	-	3,250	3,250
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%	85,000	850	85,850
		<u>\$ 550,000</u>	<u>\$ 39,400</u>	<u>\$ 589,400</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, 2007

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/07</u>
Land	\$ 1,873	\$ -	\$ -	\$ 1,873
Structures and improvements	6,397,789	-	-	6,397,789
Tools and equipment	45,889	-	-	45,889
Mains	5,141,770	-	-	5,141,770
Purification equipment	2,762	-	-	2,762
Office furniture and equipment	<u>27,044</u>	<u>-</u>	<u>-</u>	<u>27,044</u>
Subtotal	11,617,127	-	-	11,617,127
Construction in progress	<u>900</u>	<u>130,783</u>	<u>-</u>	<u>131,683</u>
TOTALS	<u>\$11,618,027</u>	<u>\$ 130,783</u>	<u>\$ -</u>	<u>\$11,748,810</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	June 30	
	2007	2006
ASSETS:		
Current assets:		
Cash	\$ 26,799	\$ 17,586
Investments, at market	60,209	68,002
Accrued interest receivable	1,009	832
Receivables	3,061	2,439
Inventories, net of obsolescence allowance	15,098	16,659
Total Current Assets	106,176	105,518
Property, plant and equipment	2,617,372	2,617,372
Less accumulated depreciation	(823,022)	(760,410)
Net Property, Plant and Equipment	1,794,350	1,856,962
TOTAL ASSETS	\$ 1,900,526	\$ 1,962,480
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 7,189	\$ 8,185
Long-term liabilities:		
Advance from other funds:		
Electric Fund	-	12,292
Land Development Fund	313,200	336,000
Total Long-term Liabilities	313,200	348,292
TOTAL LIABILITIES	320,389	356,477
NET ASSETS:		
Invested in capital assets, net of related debt	1,481,150	1,508,670
Unrestricted	98,987	97,333
TOTAL NET ASSETS	1,580,137	1,606,003
TOTAL LIABILITIES AND NET ASSETS	\$ 1,900,526	\$ 1,962,480

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, 2007 and 2006

	June 30	
	2007	2006
OPERATING REVENUES:		
Charges for services:		
Dock fees	\$ 153,788	\$ 143,928
Fuel and concession revenues	99,453	91,018
Miscellaneous:		
Other	848	337
TOTAL OPERATING REVENUES	254,089	235,283
OPERATING EXPENSES:		
Enterprises:		
Summer services:		
Salaries and wages	52,816	72,807
Fringe benefits	5,909	9,827
Fuel	86,781	76,927
Clothing	75	164
Professional services	863	1,345
Office supplies	1,992	1,223
Building supplies	1,019	878
Communications	1,368	1,343
Printing and publishing	500	1,325
Insurance and bonds	6,704	6,032
Public utilities	12,601	13,059
Building maintenance	8,290	5,160
Meetings	1,150	1,160
Equipment repair	706	1,296
Equipment rental	7,516	8,807
Weed harvesting	14,325	7,848
New equipment	735	2,240
Provision for depreciation	62,612	62,612
TOTAL OPERATING EXPENSES	265,962	274,053
OPERATING INCOME (LOSS)	(11,873)	(38,770)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	221	(1,089)
Interest earnings	3,078	2,693
Interest expense	(17,292)	(18,014)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(13,993)	(16,410)
CHANGE IN NET ASSETS	(25,866)	(55,180)
Net assets, beginning of year	1,606,003	1,661,183
NET ASSETS, END OF YEAR	\$ 1,580,137	\$ 1,606,003

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
STATEMENT OF CASH FLOWS

For the year ended June 30, 2007
with comparative totals for June 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 253,467	\$ 239,499
Cash payments to suppliers for goods and services	(136,544)	(118,186)
Cash payments to employees for services	(58,725)	(82,634)
Cash payments to other funds for services	<u>(7,516)</u>	<u>(8,807)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>50,682</u>	<u>29,872</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	<u>(35,092)</u>	<u>(16,820)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest paid	<u>(17,292)</u>	<u>(18,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	221	(1,089)
Interest earned	<u>2,901</u>	<u>2,784</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,122</u>	<u>1,695</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,420	(3,267)
Cash and equivalents, beginning of year	<u>85,588</u>	<u>88,855</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 87,008</u>	<u>\$ 85,588</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (11,873)	\$ (38,770)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	62,612	62,612
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(622)	4,216
(Increase) decrease in inventories	1,561	(2,568)
Increase (decrease) in accounts payable	<u>(996)</u>	<u>4,382</u>
Total adjustments	<u>62,555</u>	<u>68,642</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 50,682</u>	<u>\$ 29,872</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, 2007

	<u>Balance 06/30/06</u>	<u>Transfers and Additions</u>	<u>Retirements, Dispositions and Transfers</u>	<u>Balance 06/30/07</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	7,502	-	-	7,502
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
Harbor Master Building:				
Harbor master building	579,152	-	-	579,152
Parking lot and landscaping	408,958	-	-	408,958
TOTALS	<u><u>\$ 2,617,372</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,617,372</u></u>

See accompanying notes to financial statements.

INTERNAL SERVICE FUNDS

CITY OF ESCANABA, MICHIGAN

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle and Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Dental Fund</u>	<u>Health Insurance Fund</u>
ASSETS:						
Current assets:						
Investments, at market	\$ 383,494	\$ 971,137	\$ 89,405	\$ 34,034	\$ -	\$ 160,360
Receivables:						
Accounts, net of bad debt allowance	65	-	-	-	-	-
Accrued interest	4,261	10,462	859	502	-	1,682
Due from other funds:						
Grants Fund	-	-	-	-	-	-
Prepaid expenses	53,652	11,406	-	65,825	-	79,548
Cash on deposit	-	-	-	-	-	172,408
Total Current Assets	<u>441,472</u>	<u>993,005</u>	<u>90,264</u>	<u>100,361</u>	<u>-</u>	<u>413,998</u>
Property, plant and equipment:						
Property, plant and equipment	7,400,231	4,730,346	302,479	-	-	-
Less accumulated depreciation	<u>(2,017,032)</u>	<u>(3,483,620)</u>	<u>(188,520)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Property, Plant and Equipment	<u>5,383,199</u>	<u>1,246,726</u>	<u>113,959</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,824,671</u>	<u>\$ 2,239,731</u>	<u>\$ 204,223</u>	<u>\$ 100,361</u>	<u>\$ -</u>	<u>\$ 413,998</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 5,640	\$ 21,979	\$ (189)	\$ -	\$ -	\$ -
Claims payable	-	-	-	26,300	-	158,332
Accrued salaries, wages and fringes	-	24,354	-	-	-	-
Accrued interest payable	45,614	-	-	-	-	-
Bonds payable	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>201,254</u>	<u>46,333</u>	<u>(189)</u>	<u>26,300</u>	<u>-</u>	<u>158,332</u>
Long-term liabilities:						
Bonds payable	<u>3,260,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,461,254</u>	<u>46,333</u>	<u>(189)</u>	<u>26,300</u>	<u>-</u>	<u>158,332</u>
NET ASSETS:						
Invested in capital assets, net of related debt	1,973,199	1,246,726	113,959	-	-	-
Unrestricted	<u>390,218</u>	<u>946,672</u>	<u>90,453</u>	<u>74,061</u>	<u>-</u>	<u>255,666</u>
TOTAL NET ASSETS	<u>2,363,417</u>	<u>2,193,398</u>	<u>204,412</u>	<u>74,061</u>	<u>-</u>	<u>255,666</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,824,671</u>	<u>\$ 2,239,731</u>	<u>\$ 204,223</u>	<u>\$ 100,361</u>	<u>\$ -</u>	<u>\$ 413,998</u>

See accompanying notes to financial statements.

Worker's Compensa- tion Fund	Unemployment Compensation Fund	Totals	
		2007	2006
\$ 992,969	\$ 309,814	\$ 2,941,213	\$ 3,079,109
-	-	65	-
11,106	4,484	33,356	28,387
-	-	-	216
-	-	210,431	379,727
-	-	172,408	31,375
<u>1,004,075</u>	<u>314,298</u>	<u>3,357,473</u>	<u>3,518,814</u>
-	-	12,433,056	12,405,566
-	-	(5,689,172)	(5,578,521)
-	-	6,743,884	6,827,045
<u>\$ 1,004,075</u>	<u>\$ 314,298</u>	<u>\$ 10,101,357</u>	<u>\$ 10,345,859</u>

\$ 5,602	\$ -	\$ 33,032	\$ 12,645
250,000	3,590	438,222	432,789
-	-	24,354	23,357
-	-	45,614	46,864
-	-	150,000	150,000
<u>255,602</u>	<u>3,590</u>	<u>691,222</u>	<u>665,655</u>
-	-	3,260,000	3,410,000
<u>255,602</u>	<u>3,590</u>	<u>3,951,222</u>	<u>4,075,655</u>
-	-	3,333,884	3,267,045
<u>748,473</u>	<u>310,708</u>	<u>2,816,251</u>	<u>3,003,159</u>
<u>748,473</u>	<u>310,708</u>	<u>6,150,135</u>	<u>6,270,204</u>
<u>\$ 1,004,075</u>	<u>\$ 314,298</u>	<u>\$ 10,101,357</u>	<u>\$ 10,345,859</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Dental Fund	Health Insurance Fund
OPERATING REVENUES:						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,649
Cobra contributions	-	-	-	-	-	9,063
City's contribution for employees	-	-	-	-	-	1,259,715
Employee insurance co-pay	-	-	-	-	-	-
Equipment rental	-	895,307	57,960	-	-	-
Provision for self insurance	-	-	-	166,104	-	-
Miscellaneous	441,547	641	-	-	-	-
	<u>441,547</u>	<u>895,948</u>	<u>57,960</u>	<u>166,104</u>	<u>-</u>	<u>1,480,427</u>
TOTAL OPERATING REVENUES						
OPERATING EXPENSES:						
General government	121,972	679,980	22,758	205,320	-	1,659,522
Capital projects	13,578	-	-	-	-	-
Provision for depreciation	157,846	235,538	35,447	-	-	-
	<u>293,396</u>	<u>915,518</u>	<u>58,205</u>	<u>205,320</u>	<u>-</u>	<u>1,659,522</u>
TOTAL OPERATING EXPENSES						
OPERATING INCOME (LOSS)	<u>148,151</u>	<u>(19,570)</u>	<u>(245)</u>	<u>(39,216)</u>	<u>-</u>	<u>(179,095)</u>
NON-OPERATING REVENUES (EXPENSES):						
Gain (loss) on sale of investments	1,003	3,577	36	319	-	(1,243)
Gain (loss) on sale of equipment	-	(7,295)	(262)	-	-	-
Interest earnings	17,676	51,522	3,427	6,366	-	7,631
Interest expense	(142,499)	-	-	-	-	-
Operating transfers in	-	-	-	-	4,411	100,000
Operating transfers out	-	-	-	-	-	(4,411)
	<u>(123,820)</u>	<u>47,804</u>	<u>3,201</u>	<u>6,685</u>	<u>4,411</u>	<u>101,977</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)						
CHANGE IN NET ASSETS	24,331	28,234	2,956	(32,531)	4,411	(77,118)
Net assets, beginning of year	<u>2,339,086</u>	<u>2,165,164</u>	<u>201,456</u>	<u>106,592</u>	<u>(4,411)</u>	<u>332,784</u>
NET ASSETS, END OF YEAR	<u>\$ 2,363,417</u>	<u>\$ 2,193,398</u>	<u>\$ 204,412</u>	<u>\$ 74,061</u>	<u>\$ -</u>	<u>\$ 255,666</u>

See accompanying notes to financial statements.

Worker's Compensa- tion Fund	Unemployment Compensation Fund	Totals	
		2007	2006
\$ -	\$ -	\$ 211,649	\$ 149,186
-	-	9,063	50,378
-	-	1,259,715	1,263,763
-	-	-	2,173
-	-	953,267	967,443
-	-	166,104	166,677
-	-	442,188	505,445
-	-	<u>3,041,986</u>	<u>3,105,065</u>
36,650	12,270	2,738,472	2,449,145
-	-	13,578	10,556
-	-	428,831	441,431
<u>36,650</u>	<u>12,270</u>	<u>3,180,881</u>	<u>2,901,132</u>
<u>(36,650)</u>	<u>(12,270)</u>	<u>(138,895)</u>	<u>203,933</u>
5,208	1,646	10,546	(54,588)
-	-	(7,557)	(2,207)
51,222	20,492	158,336	136,673
-	-	(142,499)	(146,259)
-	-	104,411	-
-	(100,000)	(104,411)	-
<u>56,430</u>	<u>(77,862)</u>	<u>18,826</u>	<u>(66,381)</u>
19,780	(90,132)	(120,069)	137,552
<u>728,693</u>	<u>400,840</u>	<u>6,270,204</u>	<u>6,132,652</u>
<u>\$ 748,473</u>	<u>\$ 310,708</u>	<u>\$ 6,150,135</u>	<u>\$ 6,270,204</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, 2007
with comparative totals for the year ended June 30, 2006

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Dental Fund	Health Insurance Fund	Worker's Compensa- tion Fund
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,480,643	\$ -
Cash received from other funds for services	441,482	895,307	57,960	166,104	-	-	-
Cash payments to suppliers for goods and services	(92,266)	(577,497)	(21,689)	-	-	(48,381)	(9,948)
Cash payments to employees for services	(35,516)	(99,169)	-	-	-	-	-
Cash payments of benefits	-	-	-	(198,031)	(10,344)	(1,481,589)	(100,078)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>313,700</u>	<u>218,641</u>	<u>36,271</u>	<u>(31,927)</u>	<u>(10,344)</u>	<u>(49,327)</u>	<u>(110,026)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Operating transfers in	-	-	-	-	4,411	100,000	-
Operating transfers out	-	-	-	-	-	(4,411)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,411</u>	<u>95,589</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Principal payments on bonds	(150,000)	-	-	-	-	-	-
Interest expense	(143,749)	-	-	-	-	-	-
Acquisition and construction of capital assets/disposals	(23,649)	(327,855)	(5,324)	-	-	-	-
Proceeds from sale of equipment	-	3,600	-	-	-	-	-
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(317,398)</u>	<u>(324,255)</u>	<u>(5,324)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest and gains on investments	17,695	54,039	3,080	6,780	28	5,071	55,628
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	13,997	(51,575)	34,027	(25,147)	(5,905)	51,333	(54,398)
Cash and equivalents, beginning of year	369,497	1,022,712	55,378	59,181	5,905	109,027	1,047,367
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 383,494</u>	<u>\$ 971,137</u>	<u>\$ 89,405</u>	<u>\$ 34,034</u>	<u>\$ -</u>	<u>\$ 160,360</u>	<u>\$ 992,969</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 148,151	\$ (19,570)	\$ (245)	\$ (39,216)	\$ -	\$ (179,095)	\$ (36,650)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	157,846	235,538	35,447	-	-	-	-
Changes in assets and liabilities:							
(Increase) decrease in receivables, prepaids, due from other funds and deposits	3,091	(11,406)	-	(15,756)	134	40,351	-
Increase (decrease) in accounts and claims payable and due to other funds	4,612	13,082	1,069	23,045	(10,478)	89,417	(73,376)
Increase (decrease) in accruals	-	997	-	-	-	-	-
Total adjustments	<u>165,549</u>	<u>238,211</u>	<u>36,516</u>	<u>7,289</u>	<u>(10,344)</u>	<u>129,768</u>	<u>(73,376)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 313,700</u>	<u>\$ 218,641</u>	<u>\$ 36,271</u>	<u>\$ (31,927)</u>	<u>\$ (10,344)</u>	<u>\$ (49,327)</u>	<u>\$ (110,026)</u>

See accompanying notes to financial statements.

Unemploy- ment Com- pensation Fund	Totals	
	2007	2006
\$ -	\$1,480,643	\$1,356,664
-	1,560,853	1,742,865
(200)	(749,981)	(772,441)
-	(134,685)	(165,390)
<u>(21,621)</u>	<u>(1,811,663)</u>	<u>(1,706,243)</u>
<u>(21,821)</u>	<u>345,167</u>	<u>455,455</u>
-	104,411	-
<u>(100,000)</u>	<u>(104,411)</u>	<u>-</u>
<u>(100,000)</u>	<u>-</u>	<u>-</u>
-	(150,000)	(150,000)
-	(143,749)	(147,123)
-	(356,828)	(281,037)
-	3,600	659
<u>-</u>	<u>(646,977)</u>	<u>(577,501)</u>
<u>21,593</u>	<u>163,914</u>	<u>84,554</u>
(100,228)	(137,896)	(37,492)
<u>410,042</u>	<u>3,079,109</u>	<u>3,116,601</u>
<u>\$ 309,814</u>	<u>\$2,941,213</u>	<u>\$3,079,109</u>
<u>\$ (12,270)</u>	<u>\$ (138,895)</u>	<u>\$ 18,798</u>
-	428,831	441,431
-	16,414	(5,756)
(9,551)	37,820	9,551
-	997	(8,569)
<u>(9,551)</u>	<u>484,062</u>	<u>436,657</u>
<u>\$ (21,821)</u>	<u>\$ 345,167</u>	<u>\$ 455,455</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	June 30	
	2007	2006
ASSETS:		
Current assets:		
Investments, at market	\$ 383,494	\$ 369,497
Receivables:		
Accounts, net of bad debt allowance	65	-
Accrued interest	4,261	3,276
Prepaid expenses	53,652	56,808
Total Current Assets	441,472	429,581
Property, plant and equipment:		
Property, plant and equipment	7,400,231	7,376,582
Less accumulated depreciation	(2,017,032)	(1,859,185)
Net property, plant and equipment	5,383,199	5,517,397
TOTAL ASSETS	\$ 5,824,671	\$ 5,946,978
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 5,640	\$ 1,028
Accrued interest payable	45,614	46,864
Bonds payable	150,000	150,000
Total current liabilities	201,254	197,892
Long-term liabilities:		
Bonds payable	3,260,000	3,410,000
TOTAL LIABILITIES	3,461,254	3,607,892
NET ASSETS:		
Invested in capital assets, net of related debt	1,973,199	1,957,397
Unrestricted	390,218	381,689
TOTAL NET ASSETS	2,363,417	2,339,086
TOTAL LIABILITIES AND NET ASSETS	\$ 5,824,671	\$ 5,946,978

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, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Miscellaneous	\$ 441,547	\$ 500,092
OPERATING EXPENSES:		
General government:		
Salaries and wages	29,123	56,911
Fringe benefits	234	9,595
Overhead on salaries and wages	6,159	13,588
Travel expenses	-	6
Professional services	2,964	1,995
Public utilities	65,023	68,458
Insurance and bonds	6,644	7,306
Supplies	1,031	1,730
Building supplies	4,189	7,104
Equipment rental	912	1,045
Equipment maintenance	3,089	3,980
Telephone	2,304	2,849
Christmas Tree	300	91
Capital projects:		
Construction	13,578	10,556
Provision for depreciation	<u>157,846</u>	<u>163,202</u>
TOTAL OPERATING EXPENSES	<u>293,396</u>	<u>348,416</u>
OPERATING INCOME	<u>148,151</u>	<u>151,676</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	1,003	(6,020)
Interest earnings	17,676	14,622
Interest expense	<u>(142,499)</u>	<u>(146,259)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(123,820)</u>	<u>(137,657)</u>
CHANGE IN NET ASSETS	24,331	14,019
Net assets, beginning of year	<u>2,339,086</u>	<u>2,325,067</u>
NET ASSETS, END OF YEAR	<u>\$ 2,363,417</u>	<u>\$ 2,339,086</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2007

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, 2007	2.50%	\$ -	\$ 68,421	\$ 68,421
March 1, 2008	2.75%	150,000	68,421	218,421
September 1, 2008	2.75%	-	66,359	66,359
March 1, 2009	3.125%	160,000	66,359	226,359
September 1, 2009	3.125%	-	63,859	63,859
March 1, 2010	3.375%	160,000	63,859	223,859
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>\$3,410,000</u>	<u>\$1,392,317</u>	<u>\$4,802,317</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 971,137	\$ 1,022,712
Receivables:		
Accrued interest	10,462	9,402
Prepaid expenses	<u>11,406</u>	<u>-</u>
Total current assets	<u>993,005</u>	<u>1,032,114</u>
Property, plant and equipment:		
Property, plant and equipment	4,730,346	4,730,268
Less accumulated depreciation	<u>(3,483,620)</u>	<u>(3,564,964)</u>
Net property, plant and equipment	<u>1,246,726</u>	<u>1,165,304</u>
TOTAL ASSETS	<u>\$ 2,239,731</u>	<u>\$ 2,197,418</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 21,979	\$ 8,897
Accrued salaries, wages and fringes	<u>24,354</u>	<u>23,357</u>
TOTAL LIABILITIES	<u>46,333</u>	<u>32,254</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,246,726	1,165,304
Unrestricted	<u>946,672</u>	<u>999,860</u>
TOTAL NET ASSETS	<u>2,193,398</u>	<u>2,165,164</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,239,731</u>	<u>\$ 2,197,418</u>

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, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Equipment rental	\$ 895,307	\$ 912,033
Miscellaneous:		
Insurance reimbursements	<u>641</u>	<u>5,353</u>
TOTAL OPERATING REVENUES	<u>895,948</u>	<u>917,386</u>
OPERATING EXPENSES:		
General government:		
Salaries and wages	58,655	50,981
Fringe benefits	41,511	39,334
Supplies	16,342	35,165
Building supplies	3,057	5,124
Professional services	1,200	1,455
Communication	2,212	1,849
Printing & publishing	1,142	720
Insurance & bonds	31,869	32,898
Public utilities	43,551	48,090
Capital outlay - building	3,048	-
Capital outlay - equipment	850	902
Uniform maintenance	669	658
Building maintenance	21,655	10,228
Equipment maintenance	438,071	426,970
Equipment rental	15,575	14,682
Office expense	489	623
Miscellaneous	-	1,917
Education and training	84	125
Provision for depreciation	<u>235,538</u>	<u>241,155</u>
TOTAL OPERATING EXPENSES	<u>915,518</u>	<u>912,876</u>
OPERATING INCOME (LOSS)	<u>(19,570)</u>	<u>4,510</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	3,577	(18,357)
Gain (loss) on sale of equipment	(7,295)	659
Interest earnings	<u>51,522</u>	<u>44,694</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>47,804</u>	<u>26,996</u>
CHANGE IN NET ASSETS	28,234	31,506
Net assets, beginning of year	<u>2,165,164</u>	<u>2,133,658</u>
NET ASSETS, END OF YEAR	<u>\$ 2,193,398</u>	<u>\$ 2,165,164</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2007

Unit Number	Description	Balance 06/30/06	Additions	Retirements	Balance 06/30/07
1	1960 Duplex Snowblower	\$ 12,000	\$ -	\$ 12,000	\$ -
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
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
22	1990 Ford Ranger Pickup	12,023	-	-	12,023
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	2007 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
44	1992 MB Traffic Striper	1,724	-	-	1,724
45	1993 John Deere 7100 Backhoe	73,628	-	-	73,628
46	1992 Ford F-150 Pickup	11,080	-	-	11,080
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
52	1993 Ford F-150 Pickup	15,670	-	15,670	-
54	2000 Chevrolet Impala	18,895	-	-	18,895
55	2006 Chevrolet 2500 HD Pickup	21,774	-	-	21,774
56	1995 Ford F-800 Garbage Truck	117,114	-	-	117,114
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
60	1992 Ford LTS8000 Garbage Truck	96,926	-	-	96,926
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
71	1991 Haybuster Model IG-10 Tub Grinder	63,983	-	63,983	-
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	109,995	-	-	109,995
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	\$ 1,734,995	\$ 19,482	\$ 91,653	\$ 1,662,824

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, 2007

Unit Number	Description	Balance 06/30/06	Additions	Retirements	Balance 06/30/07
	Balance brought forward	\$ 1,734,995	\$ 19,482	\$ 91,653	\$ 1,662,824
86	CPS End-Dump Trailer	25,935	-	-	25,935
87	1989 International Dump Truck	45,631	-	-	45,631
88	2001 Vac-All Street Sweeper	152,609	-	-	152,609
90	1965 Galion Compactor	8,250	-	-	8,250
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
96	1979 J.D. 670 A Grader	50,202	-	-	50,202
98	1985 Galion S-500E Grader	66,897	-	-	66,897
100	1989 Ford L-8000 Dump Truck	46,401	-	46,401	-
101	1987 John Deere Model 755 Tractor	12,045	-	-	12,045
104	2007 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
108	2001 Sterling Sewer Cleaner	134,550	-	134,550	-
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	1984 MB Traffic Striper	10,500	-	10,500	-
116A	2006 Chevrolet 2500 HD Pickup	23,504	-	-	23,504
118	1992 Ford F-250 4x4 Pickup W/Dump	16,408	-	16,408	-
119	1993 John Deere Model F725 Mower	8,255	-	-	8,255
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
124	1982 Ingersoll-Rand Air Compressor	11,290	-	-	11,290
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	-	-	10,062
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
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
149	1990 Lely Material Spreader	3,167	-	-	3,167
150	Paving Forms	1,136	-	-	1,136
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
	Balance carried forward	\$ 3,204,830	\$ 326,242	\$ 299,512	\$ 3,231,560

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, 2007

Unit Number	Description	Balance 06/30/06	Additions	Retirements	Balance 06/30/07
	Balance brought forward	\$ 3,204,830	\$ 326,242	\$ 299,512	\$ 3,231,560
162	1999 Lowboy Semi-Trailer	21,458	-	-	21,458
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
173	1993 Chevrolet Lumina 4 Door	14,100	-	14,100	-
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
190	1997 Jeep Cherokee	21,488	-	21,488	-
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	1998 Ford Crown Victoria Squad Car	21,121	-	21,121	-
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
223	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
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
555	Underground Pipe TV inspection system	52,629	-	-	52,629
	Communications System	215,552	4,075	-	219,627
	Total Rental Units	\$ 4,620,402	\$ 353,301	\$ 356,221	\$ 4,617,482
	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
	Balance carried forward	<u>\$ 17,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,074</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2007

Unit Number	Description	Balance 06/30/06	Additions	Retirements	Balance 06/30/07
	Balance brought forward.	\$ 17,074	\$ -	\$ -	\$ 17,074
	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
	Miller Douzall	156	-	-	156
	Wood Surfacers	250	-	-	250
	Gas Tanks	37,829	-	-	37,829
	Stigers 16' Tandem Trailer	1,365	-	-	1,365
	Gasoline Tank Installation	9,068	-	-	9,068
	Air Compressor	2,009	-	-	2,009
	Crow's Feet	175	-	-	175
	Weather Master	435	-	-	435
	Transmission Repair Kit	441	-	-	441
	Electronic Tachometer	255	-	-	255
	Air Wrench	369	-	-	369
	Milwaukee 9" Sander	149	-	-	149
	Fleet Maintenance Software	3,390	-	-	3,390
	Softek 386 Computer	2,090	-	-	2,090
	3 Tap and Die sets	552	-	-	552
	Ford Basic Scan system	879	-	-	879
	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
	3 Magitronic Pentium 200 MGHZ Computers	794	-	-	794
	One-Third of the Softek Network Server	1,831	-	-	1,831
	Bluestar 6000 Welder	2,057	-	-	2,057
	Purox Trademaster	525	-	-	525
	2 Submersible Pumps	1,441	-	-	1,441
	Transmission Jack	342	-	-	342
	Fleet Software	1,495	-	-	1,495
	Printers/3 17" Monitors	1,485	-	-	1,485
	12 Volt Fuel Pump	254	-	-	254
	3/4" Impact Wrench	375	-	-	375
	MCR 500 Digital Battery Electric System	665	-	-	665
	3 AMD XP 1600 1.4 GHZ Computers	2,408	-	-	2,408
	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
	Total Non-rental Units	<u>109,866</u>	<u>2,998</u>	<u>-</u>	<u>112,864</u>
	TOTALS	<u>\$ 4,730,268</u>	<u>\$ 356,299</u>	<u>\$ 356,221</u>	<u>\$ 4,730,346</u>

See accompanying notes to financial statements.

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

June 30, 2007 and 2006

	June 30	
	2007	2006
ASSETS:		
Current assets:		
Investments, at market	\$ 89,405	\$ 55,378
Receivables:		
Accrued interest	859	476
Total current assets	90,264	55,854
Property, plant and equipment:		
Property, plant and equipment	302,479	298,716
Less accumulated depreciation	(188,520)	(154,372)
Net property, plant and equipment	113,959	144,344
TOTAL ASSETS	\$ 204,223	\$ 200,198
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ (189)	\$ (1,258)
NET ASSETS:		
Invested in capital assets, net of related debt	113,959	144,344
Unrestricted	90,453	57,112
TOTAL NET ASSETS	204,412	201,456
TOTAL LIABILITIES AND NET ASSETS	\$ 204,223	\$ 200,198

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Equipment rental	\$ 57.960	\$ 55.410
OPERATING EXPENSES:		
General government:		
Equipment maintenance	22.758	22.161
Provision for depreciation	<u>35.447</u>	<u>37,074</u>
TOTAL OPERATING EXPENSES	<u>58.205</u>	<u>59.235</u>
OPERATING INCOME (LOSS)	<u>(245)</u>	<u>(3.825)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	36	(921)
Gain (loss) on sale of equipment	(262)	(2.866)
Interest earnings	<u>3.427</u>	<u>2,335</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3.201</u>	<u>(1.452)</u>
CHANGE IN NET ASSETS	2.956	(5.277)
Net assets, beginning of year	<u>201.456</u>	<u>206.733</u>
NET ASSETS, END OF YEAR	<u>\$ 204.412</u>	<u>\$ 201.456</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, 2007

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/07</u>
Network system	\$ 84,241	\$ -	\$ -	\$ 84,241
Controller	12,979	-	-	12,979
Engineer	13,273	3,969	-	17,242
Clerk	27,256	681	-	27,937
Personnel	1,745	-	-	1,745
City Manager	3,087	-	-	3,087
Building and Housing Inspection	3,368	-	656	2,712
Treasurer/Utility	90,110	675	906	89,879
Bay Computer - Shared Equipment	17,627	-	-	17,627
Assessor	5,673	-	-	5,673
Recreation	499	-	-	499
Public Safety	<u>38,858</u>	<u>-</u>	<u>-</u>	<u>38,858</u>
TOTALS	<u>\$ 298,716</u>	<u>\$ 5,325</u>	<u>\$ 1,562</u>	<u>\$ 302,479</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

RISK RETENTION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 34.034	\$ 59.181
Receivables:		
Accrued interest	502	597
Prepaid expenses	<u>65.825</u>	<u>50.069</u>
Total current assets	<u>\$ 100.361</u>	<u>\$ 109.847</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 26.300</u>	<u>\$ 3.255</u>
NET ASSETS:		
Unrestricted	<u>74.061</u>	<u>106.592</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 100.361</u>	<u>\$ 109.847</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, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Provision for self insurance	\$ 166,104	\$ 166,677
OPERATING EXPENSES:		
General government:		
Insurance premiums	155,072	159,121
Administrative costs	400	300
Claims paid	<u>49,848</u>	<u>13,239</u>
TOTAL OPERATING EXPENSES	<u>205,320</u>	<u>172,660</u>
OPERATING INCOME (LOSS)	<u>(39,216)</u>	<u>(5,983)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	319	(1,106)
Interest earnings	<u>6,366</u>	<u>5,869</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,685</u>	<u>4,763</u>
CHANGE IN NET ASSETS	(32,531)	(1,220)
Net assets, beginning year	<u>106,592</u>	<u>107,812</u>
NET ASSETS, END OF YEAR	<u>\$ 74,061</u>	<u>\$ 106,592</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DENTAL FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ -	\$ 5,905
Receivables:		
Accrued interest	-	28
Prepaid expenses	-	134
Cash on deposit	-	<u>12,000</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 18,067</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ -</u>	<u>\$ 22,478</u>
NET ASSETS:		
Unrestricted	-	<u>(4,411)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ -</u>	<u>\$ 18,067</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
City's contribution for employees	\$ -	\$ 108,653
OPERATING EXPENSES:		
General government:		
Dental benefits	-	111,368
Professional services	-	4,781
TOTAL OPERATING EXPENSES	-	116,149
OPERATING INCOME (LOSS)	-	(7,496)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	-	(103)
Interest earnings	-	308
Operating transfers in:		
Health Insurance Fund	4,411	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,411	205
NET CHANGE IN NET ASSETS	4,411	(7,291)
Net assets, beginning of year	(4,411)	2,880
NET ASSETS, END OF YEAR	\$ -	\$ (4,411)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HEALTH INSURANCE FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 160,360	\$ 109,027
Receivables:		
Accrued interest	1,682	365
Due from other funds:		
Grants Fund	-	216
Prepaid expenses	79,548	272,716
Cash on deposit	<u>172,408</u>	<u>19,375</u>
TOTAL ASSETS	<u>\$ 413,998</u>	<u>\$ 401,699</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 158,332</u>	<u>\$ 68,915</u>
NET ASSETS:		
Unrestricted	<u>255,666</u>	<u>332,784</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 413,998</u>	<u>\$ 401,699</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Retiree contributions	\$ 211,649	\$ 149,186
Cobra contributions	9,063	50,378
City's contribution for employees	1,259,715	1,155,110
Employee insurance co-pay	<u>-</u>	<u>2,173</u>
TOTAL OPERATING REVENUES	<u>1,480,427</u>	<u>1,356,847</u>
OPERATING EXPENSES:		
General government:		
Insurance premiums	418,306	885,928
Administrative costs	47,231	38,369
Claims paid	1,192,835	200,811
Professional services	<u>1,150</u>	<u>600</u>
TOTAL OPERATING EXPENSES	<u>1,659,522</u>	<u>1,125,708</u>
OPERATING INCOME (LOSS)	<u>(179,095)</u>	<u>231,139</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(1,243)	(292)
Interest earnings	7,631	676
Operating transfers in:		
Unemployment Fund	100,000	-
Operating transfers out:		
Dental Fund	<u>(4,411)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>101,977</u>	<u>384</u>
CHANGE IN NET ASSETS	(77,118)	231,523
Net assets, beginning of year	<u>332,784</u>	<u>101,261</u>
NET ASSETS, END OF YEAR	<u>\$ 255,666</u>	<u>\$ 332,784</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WORKER'S COMPENSATION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 992,969	\$ 1,047,367
Receivables:		
Accrued interest	<u>11,106</u>	<u>10,304</u>
TOTAL ASSETS	<u>\$ 1,004,075</u>	<u>\$ 1,057,671</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 5,602	\$ 3,978
Claims payable	<u>250,000</u>	<u>325,000</u>
TOTAL LIABILITIES	<u>255,602</u>	<u>328,978</u>
NET ASSETS:		
Unrestricted	<u>748,473</u>	<u>728,693</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,004,075</u>	<u>\$ 1,057,671</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES:		
General government:		
Benefits	25,078	130,206
Professional services	6,135	13,298
Insurance & bonds	969	830
Books, magazines & periodicals	-	82
Miscellaneous	<u>4,468</u>	<u>2,270</u>
TOTAL OPERATING EXPENSES	<u>36,650</u>	<u>146,686</u>
OPERATING INCOME (LOSS)	<u>(36,650)</u>	<u>(146,686)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	5,208	(20,221)
Interest earnings	<u>51,222</u>	<u>49,683</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>56,430</u>	<u>29,462</u>
CHANGE IN NET ASSETS	19,780	(117,224)
Net assets, beginning of year	<u>728,693</u>	<u>845,917</u>
NET ASSETS, END OF YEAR	<u>\$ 748,473</u>	<u>\$ 728,693</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UNEMPLOYMENT COMPENSATION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 309.814	\$ 410.042
Receivables:		
Accrued interest	<u>4.484</u>	<u>3.939</u>
TOTAL ASSETS	<u>\$ 314,298</u>	<u>\$ 413,981</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 3,590</u>	<u>\$ 13,141</u>
NET ASSETS:		
Unrestricted	<u>310.708</u>	<u>400,840</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 314,298</u>	<u>\$ 413,981</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES:		
General government:		
Professional services	200	200
Unemployment compensation	<u>12,070</u>	<u>19,202</u>
TOTAL OPERATING EXPENSES	<u>12,270</u>	<u>19,402</u>
OPERATING INCOME (LOSS)	<u>(12,270)</u>	<u>(19,402)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	1,646	(7,568)
Interest earnings	20,492	18,486
Operating transfers out:		
Health Insurance Fund	<u>(100,000)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(77,862)</u>	<u>10,918</u>
CHANGE IN NET ASSETS	(90,132)	(8,484)
Net assets, beginning of year	<u>400,840</u>	<u>409,324</u>
NET ASSETS, END OF YEAR	<u>\$ 310,708</u>	<u>\$ 400,840</u>

See accompanying notes to financial statements.

PERMANENT FUND

CITY OF ESCANABA, MICHIGAN

GAS RETIREMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 1,082,727	\$ 1,094,295
Receivables:		
Accrued interest	<u>11,907</u>	<u>10,876</u>
TOTAL ASSETS	<u>\$ 1,094,634</u>	<u>\$ 1,105,171</u>
NET ASSETS:		
Reserved for:		
Principal	\$ 1,094,634	\$ 989,349
Capital improvements	<u>-</u>	<u>115,822</u>
TOTAL NET ASSETS	<u>\$ 1,094,634</u>	<u>\$ 1,105,171</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
REVENUES:		
Interest and dividends	<u>\$ 54,546</u>	<u>\$ 52,184</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	5,318	(21,301)
Operating transfers out:		
Local Street Fund	<u>(70,401)</u>	<u>(100,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(65,083)</u>	<u>(121,301)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (OTHER FINANCING USES)	(10,537)	(69,117)
Net assets, beginning of year	<u>1,105,171</u>	<u>1,174,288</u>
NET ASSETS, END OF YEAR	<u>\$ 1,094,634</u>	<u>\$ 1,105,171</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, 2007 and 2006

	Catherine Bonifas Trust Fund	Bezold Trust Fund	Totals	
			<u>2007</u>	<u>2006</u>
ASSETS:				
Investments, at market	\$ 121.783	\$ 268.829	\$ 390.612	\$ 379.172
Receivables:				
Accrued interest	<u>1.323</u>	<u>2.939</u>	<u>4.262</u>	<u>3.629</u>
TOTAL ASSETS	<u>\$ 123.106</u>	<u>\$ 271.768</u>	<u>\$ 394.874</u>	<u>\$ 382.801</u>
LIABILITIES:				
Accounts payable	<u>\$ -</u>	<u>\$ 937</u>	<u>\$ 937</u>	<u>\$ -</u>
NET ASSETS:				
Reserved for:				
Bonifas Trust Fund	123.106	-	123.106	116.786
Bezold Trust Fund	<u>-</u>	<u>270.831</u>	<u>270.831</u>	<u>266.015</u>
TOTAL NET ASSETS	<u>123.106</u>	<u>270.831</u>	<u>393.937</u>	<u>382.801</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 123.106</u>	<u>\$ 271.768</u>	<u>\$ 394.874</u>	<u>\$ 382.801</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY NET ASSETS

For the years ended June 30, 2007 and 2006

	Catherine Bonifas Trust Fund	Bezold Trust Fund	Totals	
			2007	2006
REVENUES:				
Miscellaneous:				
Interest earnings	\$ 5,908	\$ 13,192	\$ 19,100	\$ 16,929
EXPENDITURES:				
Cultural:				
Books, magazines & periodicals	-	9,403	9,403	9,927
EXCESS REVENUES	5,908	3,789	9,697	7,002
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	412	1,027	1,439	(7,027)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	6,320	4,816	11,136	(25)
Net assets, beginning of year	116,786	266,015	382,801	382,826
NET ASSETS, END OF YEAR	\$ 123,106	\$ 270,831	\$ 393,937	\$ 382,801

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

CATHERINE BONIFAS TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 121.783	\$ 115.680
Receivables:		
Accrued interest	<u>1.323</u>	<u>1.106</u>
TOTAL ASSETS	<u>\$ 123.106</u>	<u>\$ 116.786</u>
NET ASSETS:		
Reserved for:		
Bonifas Trust Fund	<u>\$ 123.106</u>	<u>\$ 116.786</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ 5.908	\$ 5.131
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	412	(2.104)
EXCESS REVENUES AND OTHER FINANCING SOURCES	6.320	3.027
Net assets, beginning of year	<u>116.786</u>	<u>113.759</u>
NET ASSETS, END OF YEAR	<u>\$ 123.106</u>	<u>\$ 116.786</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BEZOLD TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
ASSETS:		
Investments, at market	\$ 268,829	\$ 263,492
Receivables:		
Accrued interest	<u>2,939</u>	<u>2,523</u>
TOTAL ASSETS	<u>\$ 271,768</u>	<u>\$ 266,015</u>
LIABILITIES:		
Accounts payable	<u>\$ 937</u>	<u>\$ -</u>
NET ASSETS:		
Reserved for:		
Bezold Trust Fund	<u>270,831</u>	<u>266,015</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 271,768</u>	<u>\$ 266,015</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

For the years ended June 30, 2007 and 2006

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ 13.192	\$ 11.798
EXPENDITURES:		
Cultural:		
Books, magazines & periodicals	9.403	9.927
EXCESS REVENUES	3.789	1.871
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	1.027	(4.923)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	4.816	(3.052)
Net assets, beginning of year	<u>266.015</u>	<u>269.067</u>
NET ASSETS, END OF YEAR	<u>\$ 270.831</u>	<u>\$ 266.015</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PUBLIC SAFETY RETIREMENT FUND
COMPARATIVE STATEMENT OF PLAN NET ASSETS

June 30, 2007 and 2006

	June 30	
	2007	2006
ASSETS:		
Cash and equivalents	\$ 171	\$ 1,466
Investments, at market	20,586,247	18,331,953
Due from other funds:		
General Fund	200	-
TOTAL ASSETS	<u>\$ 20,586,618</u>	<u>\$ 18,333,419</u>
LIABILITIES:		
Accounts payable	\$ 185,163	\$ 92,134
NET ASSETS:		
Reserved for:		
Employees' retirement system	20,401,455	18,241,285
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,586,618</u>	<u>\$ 18,333,419</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2007 and 2006

	June 30	
	2007	2006
OPERATING REVENUES:		
Interest and dividends	\$ 813,705	\$ 641,970
Gain (loss) on sale of investments	1,996,182	463,620
Contributions:		
City of Escanaba	489,661	465,237
Employees	<u>139,259</u>	<u>113,059</u>
TOTAL OPERATING REVENUES	<u>3,438,807</u>	<u>1,683,886</u>
OPERATING EXPENSES:		
Administrative and general:		
Trustee fees	110	805
Miscellaneous	9,904	1,598
Benefits paid and refunds of member contributions	<u>1,268,623</u>	<u>1,134,235</u>
TOTAL OPERATING EXPENSES	<u>1,278,637</u>	<u>1,136,638</u>
NET INCOME	2,160,170	547,248
Net assets, beginning of year	<u>18,241,285</u>	<u>17,694,037</u>
NET ASSETS, END OF YEAR	<u>\$ 20,401,455</u>	<u>\$ 18,241,285</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

TAX COLLECTION FUND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2007

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
ASSETS:				
Cash and equivalents	\$ 3,017	\$ 11,852,908	\$ 11,853,089	\$ 2,836
Receivables:				
Special assessments	-	13,305	13,305	-
Taxes	-	13,159,917	13,159,917	-
	<u>\$ 3,017</u>	<u>\$ 25,026,130</u>	<u>\$ 25,026,311</u>	<u>\$ 2,836</u>
TOTAL ASSETS				
	<u>\$ 3,017</u>	<u>\$ 25,026,130</u>	<u>\$ 25,026,311</u>	<u>\$ 2,836</u>
LIABILITIES:				
Due to other governments	<u>\$ 3,017</u>	<u>\$ 35,020,495</u>	<u>\$ 35,020,676</u>	<u>\$ 2,836</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, 2007

	<u>Intermediate School District</u>	<u>County of Delta</u>	<u>Escanaba Area Public Schools</u>	<u>Bay de Noc Community College</u>	<u>State Tax Commission</u>	<u>Community Action Agency</u>
Balance, July 1, 2006	\$ 79	\$ 1,341	\$ 831	\$ 116	\$ -	\$ 28
Collections:						
Interest earnings on investments	882	3,844	5,126	1,259	-	227
Taxes levied for 2006	588,598	2,671,718	3,030,153	836,152	-	137,964
Delinquent tax collections	1,870	7,513	19,097	2,703	-	555
Trailer tax collections	-	11,443	-	-	-	-
Industrial facilities tax collection	758	28,327	16,383	19,894	172,238	3,282
Total collections	<u>592,108</u>	<u>2,722,845</u>	<u>3,070,759</u>	<u>860,008</u>	<u>172,238</u>	<u>142,028</u>
Remittances:						
Delinquent taxes returned to County Treasurer	31,529	121,294	225,689	41,058	-	7,957
Delinquent personal property taxes	2,681	10,383	27,641	3,192	-	564
Remittances to governmental units	557,904	2,591,250	2,817,170	815,766	172,238	133,504
Total remittances	<u>592,114</u>	<u>2,722,927</u>	<u>3,070,500</u>	<u>860,016</u>	<u>172,238</u>	<u>142,025</u>
Balance, June 30, 2007	<u>\$ 73</u>	<u>\$ 1,259</u>	<u>\$ 1,090</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 31</u>

See accompanying notes to financial statements.

<u>Downtown Development Authority</u>	<u>City of Escanaba</u>	<u>Brownfield</u>	<u>Delta County Sheriff Department</u>	<u>911</u>	<u>OPRA</u>	<u>DATA</u>	<u>Total</u>
\$ -	\$ 565	\$ -	\$ 42	\$ 15	\$ -	\$ -	\$ 3,017
373	5,620	3	340	194	-	231	18,099
284,193	4,085,130	1,993	207,020	118,305	10,570	141,967	12,113,763
266	11,118	-	819	459	-	342	44,742
-	2,289	-	-	-	-	-	13,732
-	97,289	-	4,926	2,815	-	3,378	349,290
<u>284,832</u>	<u>4,201,446</u>	<u>1,996</u>	<u>213,105</u>	<u>121,773</u>	<u>10,570</u>	<u>145,918</u>	<u>12,539,626</u>
42,485	169,240	-	11,940	6,823	-	8,188	666,203
3,691	14,671	-	846	484	-	580	64,733
<u>238,652</u>	<u>4,017,915</u>	<u>1,996</u>	<u>200,314</u>	<u>114,450</u>	<u>10,570</u>	<u>137,142</u>	<u>11,808,871</u>
<u>284,828</u>	<u>4,201,826</u>	<u>1,996</u>	<u>213,100</u>	<u>121,757</u>	<u>10,570</u>	<u>145,910</u>	<u>12,539,807</u>
<u>\$ 4</u>	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 2,836</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, 2007

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Retirements</u> <u>and other</u> <u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
LAND AND IMPROVEMENTS:				
Land	\$ 585,155	\$ 190,867	\$ 5,777	\$ 770,245
Farmer's Market	5,734	1,110	-	6,844
Mulching/Composting	12,418	-	12,418	-
Advertising Signs	9,674	-	-	9,674
Bike Paths	612,865	-	-	612,865
North Shore Boat Launch	1,612,711	240,857	-	1,853,568
Marina/Harbor	997,909	-	-	997,909
Ness Field Improvements	84,885	-	-	84,885
Parks and Playgrounds	266,222	41,735	-	307,957
Waterfront Development	1,400,854	-	-	1,400,854
BUILDINGS:				
Beach House	275,191	-	-	275,191
Historical Building	96,855	14,671	-	111,526
Band Shell	173,345	-	-	173,345
DDA Center Court	217,585	-	-	217,585
Catherine Bonifas Civic Center	845,946	66,326	-	912,272
Public Safety Building	869,424	76,660	-	946,084
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	-	-	18,814
1000 Block 1st Avenue South	-	41,753	-	41,753
INDUSTRIAL LAND AND BUILDINGS:				
Irmanco Building - 1608 3rd Avenue North	16,913	-	16,913	-
EQUIPMENT:				
Library	96,333	-	-	96,333
Public Safety Department	1,218,645	212,742	-	1,431,387
Street and Sewer	20,562	-	-	20,562
Parks and Recreation	322,675	-	-	322,675
Band	15,558	-	-	15,558
Downtown Development	19,652	7,725	-	27,377
City Hall	363,555	-	-	363,555
OTHER:				
Infrastructure	14,399,963	850,713	274,967	14,975,709
Escanaba Building Authority	7,376,582	23,649	-	7,400,231
Motor Vehicle and Equipment Fund	4,730,268	356,299	356,221	4,730,346
Office Equipment Fund	298,716	5,325	1,562	302,479
TOTAL GOVERNMENTAL FUNDS FIXED ASSETS	<u>\$37,568,691</u>	<u>\$ 2,130,432</u>	<u>\$ 667,858</u>	<u>\$39,031,265</u>

See accompanying notes to financial statements.

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

**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, 2007, which collectively comprise the City of Escanaba's basic financial statements and have issued our report thereon dated December 18, 2007. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Escanaba's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Escanaba's financial statements that is more than inconsequential will not be prevented or detected by the City of Escanaba's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Escanaba's internal control.

Honorable Mayor and Members
of the City Council
City of Escanaba

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

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 07-1.

We noted certain matters that we reported to management of the City of Escanaba in a separate letter dated December 18, 2007.

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.



Certified Public Accountants

December 18, 2007



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO 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 are applicable to each of its major federal programs for the year ended June 30, 2007. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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

Honorable Mayor and Members
of the City Council
City of Escanaba

of Escanaba's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 findings identified in our audit are 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.



Certified Public Accountants

December 18, 2007

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2007

<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 PROGRAMS:				
<u>DEPARTMENT OF COMMERCE</u>				
Economic Development Administration: Economic Adjustment Assistance	-	11.307	<u>\$ 1,294,715</u>	<u>\$ 1,294,715</u>
NON-MAJOR PROGRAMS:				
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through the State of Michigan: Community Development Block Grant	200602-CAT	14.228	<u>18,000</u>	<u>18,000</u>
<u>DEPARTMENT OF JUSTICE</u>				
Bureau of Justice Assistance: Bulletproof Vest Program	-	16.607	1,085	1,085
Passed through Michigan State Police: U.P.S.E.T	-	16.579	47,798	47,798
Passed through Grand Valley State University: PSN Grant	-	16.609	<u>10</u>	<u>10</u>
Total Department of Justice			<u>48,893</u>	<u>48,893</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
Passed through the State Department of Transportation: Highway research, Planning and Construction	-	20.205	<u>232,190</u>	<u>232,190</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Passed through the MDEQ: Drinking Water Revolving Fund Loan	72041	66.468	<u>274,254</u>	<u>274,254</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Passed through Michigan State Police: EMPG Program	-	83.552	<u>13,933</u>	<u>13,933</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through the State of Michigan 2004 Homeland Security Grant Program	-	97.004	<u>195,894</u>	<u>195,894</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,077,879</u>	<u>\$ 2,077,879</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2007

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 direct federal financial assistance.

NOTE B - BASIS OF ACCOUNTING

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

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

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

NOTE D - FEDERAL REVENUE RECONCILIATION

Because the Drinking Water Revolving Fund Loan Program is shown as Grants Payable in the Water Utility Fund, the Economic Adjustment Assistance Program's federal awards is calculated using primarily asset balances rather than expenditures and because the 2004 Homeland Security Grant Program involved receiving actual equipment rather than grant dollars 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	\$ 313,016
Drinking Water Revolving Loan Fund	274,254
Economic Adjustment Assistance	1,294,715
Homeland Security Grant Program	<u>195,894</u>
Total Federal Revenue as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 2,077,879</u>

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2007

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 control deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City of Escanaba, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Escanaba, Michigan.
7. The program tested as the major programs was:
 - U. S. Department of Commerce:
 - Economic Development Administration:
 - Economic Adjustment Assistance - CDFA #11.307
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Escanaba, Michigan was not determined to be a low-risk auditee.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 07-1 - BUDGET NONCOMPLIANCE

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

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

Band	\$	175
------	----	-----

The following Special Revenue Funds were overspent:

Sanitary Landfill Fund	\$	988
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Context - Isolated.

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

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

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

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

CITY OF ESCANABA, MICHIGAN

RESOLUTION OF PRIOR YEARS FINDINGS
AND QUESTIONED COSTS

For the year ended June 30, 2007

There was no Single Audit performed for the previous fiscal year. Consequently, there are no prior years findings or questioned costs.

STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION

CITY OF ESCANABA, MICHIGAN

Table 1
(unaudited)

GENERAL GOVERNMENT EXPENDITURES AND OTHER FINANCING USES BY FUNCTION¹

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Health and Welfare</u>	<u>Culture and Recreation</u>	<u>Miscellaneous</u>	<u>Transfers to Other Funds</u>	<u>Total</u>
1998	\$1,010,397	\$2,794,075	\$1,947,804	\$ 683,344	\$ 9,148	\$ 935,269	\$ 33,819	\$ 14,310	\$7,428,166
1999	1,061,381	2,911,538	1,721,384	703,428	9,148	1,043,272	34,245	118,498	7,602,894
2000	1,110,212	2,949,850	1,982,377	761,951	9,148	1,103,326	938	31,502	7,949,304
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

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

CITY OF ESCANABA, MICHIGAN

Table 2
(unaudited)

GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE¹

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30.,</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-gov- ernmental Revenue</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Contributions from Other Funds</u>	<u>Miscellaneous</u>	<u>Total</u>
1998	\$3,007,015	\$ 14,560	\$2,974,291	\$ 519,212	\$ 68,145	\$ 710,287	\$ 393,926	7,687,436
1999	3,137,852	14,153	2,854,459	552,020	69,866	830,165	330,276	7,788,791
2000	3,295,130	16,288	3,249,943	529,159	76,079	780,000	313,628	8,260,227
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

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

CITY OF ESCANABA, MICHIGAN

Table 3
(unaudited)

REAL AND PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>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>
1998*	\$2,850,682	\$ 2,822,696	99.02	\$ 28,067	\$ 2,850,763	100.00	\$ 43,288	1.52
1999*	2,978,829	2,901,553	97.41	22,018	2,923,571	98.14	30,667	1.03
2000*	3,146,251	3,120,373	99.18	24,040	3,144,413	99.94	28,873	.92
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

*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		Ratio 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	
1998 ²	\$154,056,204	\$335,615,506	\$ 18,843,852	\$ 37,707,418	4172,900,056	\$373,322,924	46.31
1999 ²	161,614,523	372,253,450	19,690,694	39,540,124	181,305,217	411,793,574	44.03
2000 ²	169,683,171	423,492,984	19,753,218	40,057,550	189,436,389	463,550,534	40.87
2001 ²	176,263,618	446,187,192	18,365,759	36,731,518	194,629,377	482,918,710	40.30
2002 ²	185,685,617	518,521,084	19,126,149	38,252,298	204,811,766	556,773,382	36.79
2003 ²	194,323,465	499,964,674	19,850,412	40,169,886	214,173,877	540,134,560	39.65
2004 ²	202,613,242	509,651,888	16,607,906	33,215,812	219,221,148	542,867,700	40.38
2005 ²	211,764,531	547,814,648	16,384,409	32,768,818	228,148,940	580,583,466	39.30
2006 ²	218,520,278	553,499,468	16,712,115	33,424,230	235,232,393	586,923,698	40.08
2007 ²	230,278,798	556,243,644	17,843,715	35,687,430	248,122,513	591,931,074	41.92

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>Pinecrest Debt</u>	<u>State ED²</u>	<u>Total²</u>
1998	17.00	6.5983 ¹	1.12	2.5117	3.3735	.45	6.00	37.0535
1999	17.00	6.5983 ¹	1.05	2.5117	3.3735	.45	6.00	36.9835
2000	17.00	6.5607 ¹	1.01	2.4917	3.36	.45	6.00	36.8724
2001	17.00	6.6319 ¹	1.03	2.4807	3.3585	-	6.00	36.5011
2002	17.00	6.6112 ¹	3.06	2.4695	3.3511	-	6.00	38.4918
2003	17.00	6.6097 ¹	3.02	2.4596	3.3506	-	6.00	38.4399
2004	17.00	6.5719 ¹	3.11	2.4375	3.5000	-	5.00	37.6194
2005	17.00	6.5458 ¹	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

Source: City of Escanaba Assessor's Department

¹Beginning 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 6/30/07, these amounts were .8749 and .5831, respectively.

²The amounts for fiscal years ended 6/30/95 and later reflect the tax rate for owner occupied residential property. Other property types would see tax rates of up to 18 mills higher.

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 6/30/07 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 6/30/07 was .6000.

CITY OF ESCANABA, MICHIGAN

Table 6
(unaudited)

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2007

2007 Taxable Valuation (as of December 31, 2006)		<u>\$256,326,809</u>
Debt limit - 10 percent of assessed value ¹		\$ 25,632,681
Amount of outstanding debt	\$ 8,209,277	
Less: Revenue bonds ^{2-d}	(4,633,025)	
Non-Bonded Debt	(166,252)	
Bonds issued to Abate Pollution ^{2-f}	<u>-</u>	
	<u>\$ 3,410,000</u>	<u>3,410,000</u>
 LEGAL DEBT MARGIN		 <u>\$ 22,222,681</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, 2007

<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	\$ 3,410,000	100.00%	\$ 3,410,000
Escanaba Area Public Schools	18,260,000	44.98%	8,212,821
Delta-Schoolcraft Intermediate School District	-	18.90%	-
Bay de Noc Community College ²	5,185,000	24.78%	1,284,910
Delta County ³	<u>9,210,000</u>	24.78%	<u>2,282,357</u>
 TOTALS	 <u>\$ 36,065,000</u>		 <u>\$ 15,190,088</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.

CITY OF ESCANABA, MICHIGAN

Table 8
(unaudited)

**WATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT**

Last Ten Fiscal Years

Fiscal Year Ended June 30.	Net Income	Depre- ciation	Interest on Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			
					Principal	Interest	Total	Coverage
1998	\$ 49,183	\$ 160,659	\$ 1,250	\$ 211,092	\$ 100,000	\$ 1,250	\$ 101,250	2.08
1999	(31,400)	182,155	-	150,755	-	-	-	n/a
2000	(38,860)	186,192	-	147,332	-	-	-	n/a
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

CITY OF ESCANABA, MICHIGAN

Table 9
(unaudited)

**WASTE WATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT**

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Income	Depre- ciation	Interest on Revenue Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			Coverage
					Principal	Interest and Fees	Total	
1998	\$ 302,260	\$ 181,542	\$ 28,750	\$ 512,552	\$ 160,000	\$ 28,750	\$ 188,750	2.72
1999	165,744	186,022	25,740	377,506	60,000	25,740	85,740	4.40
2000	109,017	217,652	45,447	372,116	100,000	45,447	145,447	2.56
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

CITY OF ESCANABA, MICHIGAN

Table 10
(unaudited)

**ELECTRIC UTILITY
COMPARATIVE STATISTICAL INFORMATION**

For the Years Ended June 30, 2007 and 2006

	<u>Year Ended June 30.</u>		<u>Year Ended June 30.</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>Number of KWH</u>		<u>Per KWH</u>	
OPERATING REVENUES:				
Residential sales	34,651,173	35,220,399	0.103016	.086469
Hot water sales	396,571	417,464	0.096239	.080642
Electric heat	374,401	401,268	0.091364	.075278
Commercial sales	48,521,866	50,919,191	0.095069	.080435
Industrial sales	62,842,634	63,305,362	0.080187	.068806
Municipal	6,352,048	6,540,967	0.091233	.077325
Dusk to Dawn	551,206	568,311	0.097726	.082161
Street lighting	1,998,727	2,011,998	0.080772	.068239
Dispatching	<u>4,875,160</u>	<u>7,078,251</u>	<u>0.266093</u>	<u>.208139</u>
TOTAL OPERATING REVENUES	<u>160,563,786</u>	<u>166,463,211</u>	<u>0.095826</u>	<u>.082443</u>
OPERATING EXPENSES:				
Production	166,079,491	171,543,169	0.077940	.080422
Transmission/Distribution/Services			0.002412	.002168
Administration/General			0.005570	.004545
Provision for depreciation			0.005130	.005832
Taxes paid to General Fund			0.000000	.000000
General Fund Administration and Collection			0.002629	.002573
Unaccounted for	<u>(5,515,705)</u>	<u>(5,079,958)</u>	<u>0.003217</u>	<u>.002916</u>
TOTAL OPERATING EXPENSES	<u>160,563,786</u>	<u>166,463,211</u>	<u>0.096898</u>	<u>.098456</u>
Operating income			(0.001072)	(.016013)
Miscellaneous income			0.000858	.001329
Interest earnings			<u>0.006159</u>	<u>.002983</u>
TOTAL OPERATING AND OTHER INCOME			<u>(0.005945)</u>	<u>(.011701)</u>
Contributions to Other Funds			<u>0.002887</u>	<u>.002785</u>
NET INCOME			<u>(0.003058)</u>	<u>(.014486)</u>
	<u>Year Ended June 30.</u>			
	<u>2007</u>	<u>2006</u>		
TOTAL NUMBER OF SERVICES:				
Residential	5,961	5,986		
Hot Water	181	190		
Heating	30	33		
Commercial	1,038	1,051		
Industrial	29	24		
Municipal	94	95		
AVERAGE KILOWATTS PER SERVICE:				
Residential	5.813	5.884		
Hot Water	2.191	2.197		
Heating	12.480	12.160		
Commercial	46.746	48.448		
Industrial	2,166,987	2,637,723		
Municipal	67.575	68.852		
AVERAGE REVENUE PER SERVICE:				
Residential	\$ 599	\$ 509		
Hot Water	\$ 211	\$ 177		
Heating	\$ 1,140	\$ 915		
Commercial	\$ 4,444	\$ 3,897		
Industrial	\$ 173,765	\$ 181,491		
Municipal	\$ 6,165	\$ 5,324		

CITY OF ESCANABA, MICHIGAN

Table 11
(unaudited)

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30.</u>	<u>Population¹</u>	<u>Per Capita Income¹</u>	<u>K-12 School Enrollment²</u>	<u>Unemployment Rate³</u>
1998	13,280 (estimate)	Not available	3,787	6.1
1999	13,280 (estimate)	Not available	3,660	5.8
2000	13,140	\$17,589	3,522	5.3
2001	12,971 (estimate)	Not available	3,390	6.4
2002	12,839 (estimate)	Not available	3,329	7.4
2003	12,769 (estimate)	Not available	3,239	8.4
2004	12,716 (estimate)	Not available	3,102	7.9
2005	12,628 (estimate)	Not available	3,013	7.2
2006	12,575 (estimate)	Not available	2,960	7.1
2007	Not available	Not available	2,882	7.7

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 2007, which is through September, 2007).

CITY OF ESCANABA, MICHIGAN

Table 12
(unaudited)

PRINCIPAL TAXPAYERS

Fiscal Year Ended June 30, 2008¹

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Rubloff Delta LLC	Shopping Center	\$4,489,876	1.75
Wal-Mart	Retail Sales	3,786,592	1.48
Dagenais Real Estate Inc.	Commercial Real Estate	3,653,528	1.43
UP Enterprises LLC	Commercial Real Estate	3,069,507	1.20
Northland Centers	Retail Sales	2,071,076	0.81
Univ Prop & Flood	Motel	1,947,221	0.76
Elmer's County Market	Food Sales	1,835,475	0.72
UP State Bank	Banking	1,780,113	0.69
Spirit SPE Port 2006-2 LLC	Retail Sales	1,657,768	0.65
Sunrize Inc.	Motel	1,600,200	0.62

Source: City of Escanaba Assessor's Department

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

¹Valuation as of 12/31/06 becomes the "2007 Taxable Valuation." This value is used to compute City property taxes for July 2007, which finances City operations through the fiscal year ended June 30, 2008.

MISCELLANEOUS STATISTICS

June 30, 2007

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	35
ELECTRIC DEPARTMENT	
Capacity	41.0 megawatts
Peak use during fiscal year	31.8 megawatts
WATER DEPARTMENT	
Number of accounts	5,750
Average daily consumption	1,300,000 gallons/day
Pumping capacity	7,500,000 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	72,530
2006-07 circulation	114,113
Number of registered users	11,187
Parks and recreation areas	504.5 acres
Recreation buildings	1
Outdoor skating rinks - natural ice	3
Softball/baseball fields	9
Outdoor band shell	1
Basketball courts - indoor and outdoor	4
Tennis courts	9
Marina	165 berths
Public boat launches	2

CITY OF ESCANABA, MICHIGAN

Table 14
(unaudited)

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

Last Ten Fiscal Years

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
1998	13,280 (est)	\$172,900,056	\$ 5,563,894	\$ 1,253,000	\$ 4,310,894	2.49%	324.62
1999	13,280 (est)	181,305,217	6,180,629	1,983,629	4,197,000	2.31%	316.04
2000	13,140	189,436,389	6,770,338	2,058,338	4,712,000	2.49%	358.60
2001	12,971 (est)	194,629,377	7,091,500	1,942,000	5,149,500	2.65%	397.00
2002	12,839 (est)	204,811,766	6,816,540	1,825,000	4,991,540	2.44%	388.78
2003	12,769 (est)	214,173,877	8,813,732	3,954,354	4,859,378	2.27%	380.56
2004	12,716 (est)	219,221,148	8,888,503	4,331,000	4,557,503	2.08%	358.41
2005	12,628 (est)	228,148,940	8,417,753	4,094,000	4,323,753	1.90%	342.39
2006	12,575 (est)	235,232,393	7,967,003	3,845,000	4,122,003	1.75%	327.79
2007	12,575	248,122,513	8,209,277	4,313,025	3,896,252	1.57%	309.84

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
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

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

We have audited the financial statements of the City of Escanaba for the year ended June 30, 2007, and have issued our reports thereon dated December 18, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered the City of Escanaba's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

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 grants, 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.

As part of our audit, we considered the internal control structure of the City of Escanaba. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

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

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the City of Escanaba are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the City of Escanaba during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in 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 would involve the useful lives of fixed assets and the market values of investments. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter 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.

Consultation with Other Independent Accountants

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

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Issues Discussed Prior to Retention of Independent Auditors

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.

In planning and performing our audit of the financial statements of the City of Escanaba, Michigan, for the year ended June 30, 2007, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 18, 2007, on the financial statements of the City of Escanaba.

We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the City Council, the management of the City of Escanaba and applicable State and Federal grantor agencies 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 18, 2007

CITY OF ESCANABA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

June 30, 2007

BUDGET NONCOMPLIANCE

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

The following function in the General Fund was overspent:

Band	\$ 175
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The following Special Revenue Fund had an excess of expenditures over appropriations:

Sanitary Landfill Fund	\$ 988
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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 a 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 several receivables that are quite delinquent. We recommend that these delinquent receivables be reviewed to determine collectability. If they are not collectable we recommend that the City write the receivable off so as to more clearly define the total receivable balance.

DDA FACADE LOANS

The Downtown Development Authority is presently involved in a facade loan program. Under the provisions of the program one-half of the loan is forgiven over a five-year period. However, the other half of the loan is payable back to the DDA if and when the building is sold. Presently, there is no mechanism in place to track these receivables. We recommend that a system be placed in service to track these amounts.