

**CITY OF HANCOCK**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2022**

**CITY OF HANCOCK**

**June 30, 2022**

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**ADMINISTRATION**

City Manager..... Mary Babcock

**BOARD MEMBERS**

Mayor..... Paul Labine

Ward I..... Ron Blau

Ward II..... Rick Freeman

Ward III..... Kurt Rickard

At Large..... Will Lytle

At Large..... John Haeussler

At Large..... Whitney Warstler

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# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hancock, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Hancock, Michigan's basic financial statements as listed in the table of contents.

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 City of Hancock, Michigan, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Hancock, Michigan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As described in Note P to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which changes accounting and financial reporting for leases by governments. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hancock, Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Hancock, Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hancock, Michigan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hancock, Michigan's basic financial statements. The detailed schedule of revenues, expenditures and changes in fund balance, combining special revenue fund financial statements, and Transit Fund Supplemental Information based on June 30, 2022 year end, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and Transit Fund Supplemental Information based on June 30, 2022 year end, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative information on pages 68 and 70 has been derived from the City's 2021 audit report dated December 27, 2021, in which we expressed unmodified opinions on 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 and the related notes to the financial statements.

*Rukkila, Negro and Associates,  
Certified Public Accountants, PC*

December 20, 2022

**CITY OF HANCOCK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

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This section of City of Hancock's annual financial report presents management's discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2022. The analysis focuses on the City's financial performance as a whole. It is intended to be read as part of the City's financial statements, which immediately follows this section.

**Financial Highlights**

- The assets and deferred outflows of the City of Hancock's primary government exceeded its liabilities and deferred inflows at year end by \$18,840,633 (net position).
- The City of Hancock's total net position increased by \$1,202,402.
- The City of Hancock had charges for services of \$2,007,652 in governmental activities and \$2,285,931 for business-type activities and \$6,247,932 and \$2,792,043 in expenses for governmental and business-type activities respectively during the year ended June 30, 2022.
- At the close of the fiscal year, the City of Hancock's governmental activities reported a combined ending net position balance of \$10,065,872. This is an increase of \$1,083,202.
- At the end of the current fiscal year, the fund balance for the general fund was \$1,684,162. General fund operating transfers to other funds were \$21,800 in 2022 compared to \$67,932 in the prior year, a decrease of \$46,132.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements:* The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include wastewater, water, and transit operations.



**Overview of the Financial Statements (Continued)**

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Downtown Development Authority (DDA) for which the City is financially accountable. Information for this component unit is reported separately from the financial information presented for the primary government itself.

*Fund Financial Statements:* A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison schedules have been provided for the general and special revenue funds to demonstrate legal compliance.

*Proprietary Funds:* The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and transit operations. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its insurance (risk management and employee benefits) and motor pool activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. A portion of the activity of the internal service funds is also allocated to the enterprise funds and reported in the statement of activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water funds, both of which are considered to be major funds of the City. The City's internal service funds are presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Funds column.

**CITY OF HANCOCK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

**Overview of the Financial Statements (Continued)**

*Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*Other Information:* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension schedules and the general fund budget and actual presentation. Supplemental information follows the required pension schedules and includes combining and individual fund statements and schedules.

Government-Wide Financial Analysis

Net position serves as an indicator of the City's financial position and overall performance. As shown on page 16 total assets and deferred outflows exceeded liabilities and deferred inflows by \$18,840,633 for the City's primary government.

Net investment in capital assets (land, building, and equipment) make up the largest portion of the City's total net position. These capital assets are used to provide services to the general public and are not available for future spending. Even though net investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

	<b>Net Position</b>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets				
Current Assets	\$ 4,212,447	\$ 3,066,389	\$ 2,503,066	\$ 2,149,624
Capital assets - net	10,371,323	9,831,684	16,647,147	17,222,298
Total assets	<u>14,583,770</u>	<u>12,898,073</u>	<u>19,150,213</u>	<u>19,371,922</u>
Deferred outflows of resources - pension	729,181	718,040	110,186	105,873
Liabilities				
Current liabilities	1,373,350	715,100	388,901	448,371
Noncurrent liabilities	3,366,231	3,517,124	10,036,013	10,321,980
Total liabilities	<u>4,739,581</u>	<u>4,232,224</u>	<u>10,424,914</u>	<u>10,770,351</u>
Deferred inflows of resources - pension	452,323	401,218	60,724	-
Net position				
Net investment in capital assets	8,397,946	7,726,804	6,633,147	6,927,298
Restricted:				
Restricted:	1,421,617	1,124,152	712,493	650,091
Unrestricted	246,309	131,714	1,429,121	1,078,172
Total net position	<u>\$ 10,065,872</u>	<u>\$ 8,982,670</u>	<u>\$ 8,774,761</u>	<u>\$ 8,655,561</u>

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

**Overview of the Financial Statements - (Continued)**

Governmental Activities

As shown on the following table, governmental activities increased the City's net position by \$1,083,202. In prior year, the net position of governmental activities increased by \$711,322. The current to prior year change in governmental activities is due to an increase in overall revenues of \$616,880 and an increase in overall expenditures of \$245,000. The increase in revenues was mainly due to an increase in grants and contributions, property taxes, and state shared revenue. The increase in expenses was due to an increase in public works which was mostly due to expenses related to a small urban grant and projects in recreation related to the completion of the campground bathhouse, installation of dog park and pickleball court.

Business-type Activities

As shown below on the following table, business-type activities increased the City's net position by \$119,200. In prior year, the net position of business-type activities decreased by \$147,716. The current to prior year change in business-type activities is due to a decrease in overall revenues of \$47,378 and a decrease in overall expenditures of \$314,294. The decrease in overall revenue is mainly due to decreases in transfers from other funds and other revenue. The decrease in expenditures is due to a combination of increases in purchased services, general administration, and depreciation and decreases in operations and maintenance.

	<b>Results of Operations</b>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program Revenue:				
Charges for services	\$ 2,007,652	\$ 1,867,194	\$ 2,285,931	\$ 2,245,408
Operating grants and contributions	141,965	94,909	563,444	571,945
Capital grants and contributions	1,143,107	1,090,077	25,062	-
General Revenue:				
Property taxes	1,895,664	1,846,884	-	-
State shared revenue	1,802,531	1,572,856	-	-
Other	354,908	251,385	11,806	51,998
Gain on sale of equipment	7,107	12,749	-	-
Transfers	-	-	25,000	89,270
<b>Total revenues</b>	<b><u>7,352,934</u></b>	<b><u>6,736,054</u></b>	<b><u>2,911,243</u></b>	<b><u>2,958,621</u></b>
Functions/program expenses				
General government	1,608,351	1,727,035	-	-
Public safety	1,121,009	1,052,574	-	-
Public works	2,715,656	2,525,358	2,792,043	3,106,337
Sanitation	281,837	272,208	-	-
Recreation	380,002	240,974	-	-
Community and economic development	376	31,084	-	-
Interest on long-term debt	16,819	14,469	-	-
Other	123,882	79,330	-	-
Transfers	21,800	81,700	-	-
<b>Total expenses</b>	<b><u>6,269,732</u></b>	<b><u>6,024,732</u></b>	<b><u>2,792,043</u></b>	<b><u>3,106,337</u></b>
Change in net position	1,083,202	711,322	119,200	(147,716)
Net position - Beginning, as restated	<u>8,982,670</u>	<u>8,271,348</u>	<u>8,655,561</u>	<u>8,803,277</u>
Net position - Ending	<u><u>\$ 10,065,872</u></u>	<u><u>\$ 8,982,670</u></u>	<u><u>\$ 8,774,761</u></u>	<u><u>\$ 8,655,561</u></u>

**CITY OF HANCOCK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

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See Note P of the Notes to the Financial Statements of this report for additional information of the implementation of GASB Statement No. 87, Leases, and the corresponding restatement of the beginning net position for the motor vehicle fund.

**Significant Transactions and Changes in Individual Funds**

A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

<u>GENERAL FUND</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 3,594,939	\$ 3,352,392	\$ 242,547
Expenditures/Transfers/Other	\$ 3,352,273	\$ 2,916,231	\$ 436,042
Fund Balance	\$ 1,684,162	\$ 1,441,496	\$ 242,666

The General Fund had an increase in revenues of \$242,547 and an increase in expenditures of \$436,042. The increase in revenue is mainly due to increases in property taxes, state and federal revenue, campground revenue, and sale of trash bags. The increase in expenditures was due to a combination of increases in public safety and recreation and culture and decreases in expenditures related to treasurer, planning, elections, public works, and debt service.

<u>SPECIAL REVENUE FUNDS</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
<u>Major Street Fund</u>			
Revenues/Transfers/Other	\$ 1,295,588	\$ 764,103	\$ 531,485
Expenditures/Transfers/Other	\$ 1,091,661	\$ 562,916	\$ 528,745
Fund Balance	\$ 551,206	\$ 347,279	\$ 203,927
<u>Local Street Fund</u>			
Revenues/Transfers/Other	\$ 407,884	\$ 896,039	\$ (488,155)
Expenditures/Transfers/Other	\$ 337,794	\$ 717,762	\$ (379,968)
Fund Balance	\$ 558,402	\$ 488,312	\$ 70,090
<u>Redevelopment Fund</u>			
Revenues/Transfers/Other	\$ -	\$ 32,000	\$ (32,000)
Expenditures/Transfers/Other	\$ 376	\$ 31,084	\$ (30,708)
Fund Balance	\$ 35,123	\$ 35,499	\$ (376)
<u>Parks and Recreation Fund</u>			
Revenues/Transfers/Other	\$ 142,846	\$ 93,022	\$ 49,824
Expenditures/Transfers/Other	\$ 170,833	\$ 73,054	\$ 97,779
Fund Balance	\$ 158	\$ 28,145	\$ (27,987)

Major Street Fund - The increase in revenue is due to an increase in state and federal revenue related to a small urban grant project and an increase in State revenue for routine maintenance. Expenditures increased mainly due to expenditures related to the small urban project and increased costs related to snow removal.

Local Street Fund - The decrease in revenues and expenditures is mainly due to the completion of FEMA projects and related revenue in the prior year.

Redevelopment Fund - The decrease in revenue and expenditures is related to a MSHDA grant received and expended in the prior year.

Parks and Recreation Fund - The increase in revenue is mainly due to the receipt of grant money and contributions for the construction of a dog park. Additionally, expenses increased due to the construction of a pickleball court.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

**Significant Transactions and Changes in Individual Funds (Continued)**

ENTERPRISE FUNDS	2022	2021	Change
<b>Sewer Fund</b>			
Revenues/Transfers/Other	\$ 1,405,740	\$ 1,352,537	\$ 53,203
Expenditures/Transfers/Other	\$ 985,562	\$ 1,218,911	\$ (233,349)
Fund Balance	\$ 3,689,546	\$ 3,269,368	\$ 420,178
<b>Water Fund</b>			
Revenues/Transfers/Other	\$ 1,192,631	\$ 1,219,774	\$ (27,143)
Expenditures/Transfers/Other	\$ 1,398,930	\$ 1,518,492	\$ (119,562)
Fund Balance	\$ 4,498,266	\$ 4,679,503	\$ (181,237)
<b>Transit Fund</b>			
Revenues/Transfers/Other	\$ 287,810	\$ 386,310	\$ (98,500)
Expenditures/Transfers/Other	\$ 407,551	\$ 368,934	\$ 38,617
Fund Balance	\$ 586,949	\$ 706,690	\$ (119,741)

Sewer Fund - The Sewer Fund's revenues increased mainly due to higher amounts received for federal and state grants. Expenses decreased due to a decrease in purchased services and operations and maintenance.

Water Fund - The Water Fund's revenues decreased mainly due to insurance revenue of \$47,084 received in prior year for the replacement of the water tank roof for 2018 flood related repairs. Expenses decreased mainly due to a decrease in purchased services and operations and maintenance.

Transit Fund - The Transit Fund revenues decreased mainly due to decreases in state and federal sources. Expenses increased due to increases in operations and maintenance.

DEBT SERVICE (BUILDING AUTHORITY)	2022	2021	Change
Revenues/Transfers/Other	\$ 128,573	\$ 131,879	\$ (3,306)
Expenditures/Transfers/Other	\$ 128,577	\$ 131,878	\$ (3,301)
Fund Balance	\$ 1,651	\$ 1,655	\$ (4)

Debt Service Fund - The revenue and expenditures will vary from year to year based on principal and interest payments made during the year.

CAPITAL PROJECTS (DEVELOPMENT)	2022	2021	Change
Revenues/Transfers/Other	\$ 51,537	\$ 18,007	\$ 33,530
Expenditures/Transfers/Other	\$ -	\$ -	\$ -
Fund Balance	\$ 89,931	\$ 38,394	\$ 51,537

Capital Projects Fund - The Capital Projects Fund had an increase in revenues due to an increase in sale of land.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

**Significant Transactions and Changes in Individual Funds (Continued)**

**INTERNAL SERVICE FUNDS**

<u>Employee Benefits Fund</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 890,801	\$ 876,831	\$ 13,970
Expenditures/Transfers/Other	\$ 918,593	\$ 784,020	\$ 134,573
Fund Balance	\$ 135,658	\$ 163,450	\$ (27,792)

Employee Benefits Fund - Revenue increased due to an increase in charges for services. Expenses increased due to the retirement of several long-term employees who received payouts for accrued sick.

<u>Motor Vehicle Fund</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 654,087	\$ 521,342	\$ 132,745
Expenditures/Transfers/Other	\$ 605,140	\$ 517,372	\$ 87,768
Fund Balance	\$ 418,204	\$ 115,382	\$ 302,822

Motor Vehicle Fund - The increase in revenue was due to an increase in charges for services and federal revenue. The increase in expenditures was due to an increase in operations and maintenance.

**General Fund Budgetary Highlights**

During the year ended June 30, 2022, there were two budget amendments.

**Financial Analysis**

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined unassigned fund balances of \$1,637,126.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,684,162. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents about 59% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$242,666 during the fiscal year.

Proprietary Funds - The City's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net position at the end of the year amounted to \$8,774,761.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

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**Capital Assets and Debt Administration**

The City's net capital assets for the governmental and business-type activities as of June 30, 2022, amounts to \$27,018,470. Capital asset additions totaling \$1,316,734 include bathhouse renovations, construction of a gazebo, dog park and pickleball court, firehall generator, small urban street repairs, construction in progress related to development of business technology park, sewer cleaner vacuum truck, grader, four pickup trucks, cable camera with locator, and sewer improvements.

Additional information on the City's capital assets can be found on page 36 of this report.

Long-term Debt – At the end of the current fiscal year, the City had total debt of \$12,002,175.

Additional information on the City's long-term debt can be found starting on page 39 of this report.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the City Clerk, Linda Kalinec, at 399 Quincy Street, Hancock, Michigan 49930 or call (906) 482-2720.

**CITY OF HANCOCK**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,948,132	\$ 1,269,963	\$ 4,218,095	\$ 84,587
Restricted cash	228,072	712,493	940,565	-
Receivables	34,406	152,311	186,717	-
Inventories	64,362	70,034	134,396	-
Prepaid expenses	51,654	2,152	53,806	-
Due from government units	885,821	296,113	1,181,934	-
Capital assets - net	10,371,323	16,647,147	27,018,470	-
<b>Total assets</b>	<u>14,583,770</u>	<u>19,150,213</u>	<u>33,733,983</u>	<u>84,587</u>
Deferred outflows of resources - pension	729,181	110,186	839,367	3,615
<b>Liabilities</b>				
Accounts payable and accrued expense	690,249	98,901	789,150	20,091
Unearned revenue	264,191	-	264,191	-
Lease payable, current	55,175	-	55,175	-
Bonds payable, due in one year	107,000	290,000	397,000	-
Note payable, due in one year	311,910	-	311,910	-
Unamortized premium on the issuance of bonds	14,798	-	14,798	-
Lease payable	146,112	-	146,112	-
Bonds payable, due in more than one year	839,000	9,724,000	10,563,000	-
Note payable, due in more than one year	514,180	-	514,180	-
Net pension liability	1,709,556	266,208	1,975,764	10,123
Accrued benefits	142,585	45,805	188,390	5,073
<b>Total liabilities</b>	<u>4,794,756</u>	<u>10,424,914</u>	<u>15,219,670</u>	<u>35,287</u>
Deferred inflows of resources - pension	452,323	60,724	513,047	257
<b>Net position</b>				
Net investment in capital assets	8,397,946	6,633,147	15,031,093	-
Restricted				
Streets and highways	1,109,608	-	1,109,608	-
Redevelopment	35,123	-	35,123	-
Cemetery	185,146	-	185,146	-
Parks and recreation	158	-	158	-
Capital projects	89,931	-	89,931	-
Debt service	1,651	712,493	714,144	-
Unassigned	246,309	1,429,121	1,675,430	52,658
<b>Total net position</b>	<u>\$ 10,065,872</u>	<u>\$ 8,774,761</u>	<u>\$ 18,840,633</u>	<u>\$ 52,658</u>

The accompanying notes to the financial statements are an integral part of this statement.



**CITY OF HANCOCK**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Grants and Contributions		Primary Government			Component Unit (DDA)
			Operating	Capital	Governmental	Business-Type	Total	
Government Activities								
General government	\$ 1,608,351	\$ 890,769	\$ 141,965	\$ -	\$ (575,617)	\$ -	\$ (575,617)	\$ -
Public safety	1,121,009	2,620	-	-	(1,118,389)	-	(1,118,389)	-
Public works	2,715,656	634,427	-	1,023,578	(1,057,651)	-	(1,057,651)	-
Sanitation	281,837	125,220	-	-	(156,617)	-	(156,617)	-
Recreation and culture	380,002	181,273	-	20,000	(178,729)	-	(178,729)	-
Community and economic development	376	-	-	99,529	99,153	-	99,153	-
Interest on long-term debt	16,819	-	-	-	(16,819)	-	(16,819)	-
Other	123,882	173,343	-	-	49,461	-	49,461	-
Total governmental activities	<u>6,247,932</u>	<u>2,007,652</u>	<u>141,965</u>	<u>1,143,107</u>	<u>(2,955,208)</u>	<u>-</u>	<u>(2,955,208)</u>	<u>-</u>
Business-type activities:								
Water	1,398,930	1,191,392	-	25,062	-	(182,476)	(182,476)	-
Sewer	985,562	1,046,041	353,208	-	-	413,687	413,687	-
Transit	407,551	48,498	210,236	-	-	(148,817)	(148,817)	-
Total business-type activities	<u>2,792,043</u>	<u>2,285,931</u>	<u>563,444</u>	<u>25,062</u>	<u>-</u>	<u>82,394</u>	<u>82,394</u>	<u>-</u>
Total primary government	<u>\$ 9,039,975</u>	<u>\$ 4,293,583</u>	<u>\$ 705,409</u>	<u>\$ 1,168,169</u>	<u>(2,955,208)</u>	<u>82,394</u>	<u>(2,872,814)</u>	<u>-</u>
Component Unit	<u>\$ 229,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(229,433)</u>	<u>(229,433)</u>
General revenues:								
Property taxes, levied for general operations					1,895,664	-	1,895,664	189,915
State shared revenue					1,802,531	-	1,802,531	-
Interest income and investment earnings					3,359	2,906	6,265	230
Operating transfers in (out)					(21,800)	25,000	3,200	(3,200)
Gain (loss) on sale of assets					7,107	-	7,107	-
Other revenues					351,549	8,900	360,449	5,767
Total general revenues, transfers, and special items					<u>4,038,410</u>	<u>36,806</u>	<u>4,075,216</u>	<u>192,712</u>
Change in net position					1,083,202	119,200	1,202,402	(36,721)
Net position - Beginning of year, restated					<u>8,982,670</u>	<u>8,655,561</u>	<u>17,638,231</u>	<u>89,379</u>
Net position - End of year					<u>\$ 10,065,872</u>	<u>\$ 8,774,761</u>	<u>\$ 18,840,633</u>	<u>\$ 52,658</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2022**

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,827,294	\$ 271,469	\$ 403,811	\$ 2,502,574
Restricted cash	42,926	-	185,146	228,072
Accounts receivable	34,406	-	-	34,406
Due from government units	258,702	271,342	355,777	885,821
Inventories	14,752	9,499	2,085	26,336
Prepaid expenses	32,284	-	-	32,284
<b>Total assets</b>	<b><u>\$ 2,210,364</u></b>	<b><u>\$ 552,310</u></b>	<b><u>\$ 946,819</u></b>	<b><u>\$ 3,709,493</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 189,152	\$ -	\$ 75,350	\$ 264,502
Accrued expenses	72,859	1,104	1,058	75,021
Unearned revenue	264,191	-	-	264,191
<b>Total liabilities</b>	<b><u>526,202</u></b>	<b><u>1,104</u></b>	<b><u>76,408</u></b>	<b><u>603,714</u></b>
<b>Fund balances</b>				
Nonspendable:				
Inventories	14,752	9,499	2,085	26,336
Prepays	32,284	-	-	32,284
Restricted:				
Streets and highways	-	541,707	556,317	1,098,024
Parks and recreation	-	-	158	158
Redevelopment	-	-	35,123	35,123
Cemetery	-	-	185,146	185,146
Capital projects	-	-	89,931	89,931
Debt service	-	-	1,651	1,651
Unassigned	1,637,126	-	-	1,637,126
<b>Total fund balances</b>	<b><u>1,684,162</u></b>	<b><u>551,206</u></b>	<b><u>870,411</u></b>	<b><u>3,105,779</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,210,364</u></b>	<b><u>\$ 552,310</u></b>	<b><u>\$ 946,819</u></b>	<b><u>\$ 3,709,493</u></b>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION (Continued)**  
**June 30, 2022**

Fund balance reported in governmental funds	\$ 3,105,779
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	9,340,857
Net pension liability	(1,709,556)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	276,858
Internal service fund is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net position.	582,946
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,531,012)</u>
Net position of governmental activities	<u>\$ 10,065,872</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2022**

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
Revenues				
Property taxes	\$ 1,655,147	\$ -	\$ 240,517	\$ 1,895,664
State sources	766,445	1,109,319	282,764	2,158,528
Federal sources	100,925	185,749	-	286,674
Charges for services	482,456	-	-	482,456
Interest income	1,934	520	804	3,258
Other revenues	131,430	-	207,033	338,463
Total revenues	<u>3,138,337</u>	<u>1,295,588</u>	<u>731,118</u>	<u>5,165,043</u>
Expenditures				
General government	473,011	12,384	7,019	492,414
Public safety	1,121,009	-	-	1,121,009
Public works	258,737	1,079,277	331,155	1,669,169
Sanitation	281,872	-	-	281,872
Recreation and culture	440,840	-	170,833	611,673
Debt service	233,116	-	128,573	361,689
Other	65,888	-	-	65,888
Total expenditures	<u>2,874,473</u>	<u>1,091,661</u>	<u>637,580</u>	<u>4,603,714</u>
Excess (deficiency) of revenues over expenditures	<u>263,864</u>	<u>203,927</u>	<u>93,538</u>	<u>561,329</u>
Other financing sources (uses)				
Proceeds on sale of assets	602	-	-	602
Proceeds of refunding bonds	456,000	-	-	456,000
Payment to bond refunding escrow agent	(456,000)	-	-	(456,000)
Operating transfers in (out)	(21,800)	-	-	(21,800)
Total other financing sources (uses)	<u>(21,198)</u>	<u>-</u>	<u>-</u>	<u>(21,198)</u>
Net change in fund balances	242,666	203,927	93,538	540,131
Fund balances - Beginning of year	<u>1,441,496</u>	<u>347,279</u>	<u>776,873</u>	<u>2,565,648</u>
Fund balances - End of year	<u>\$ 1,684,162</u>	<u>\$ 551,206</u>	<u>\$ 870,411</u>	<u>\$ 3,105,779</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2022**

Net change in fund balances - total governmental funds \$ 540,131

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation 19,396

Long-term liabilities, including loan proceeds and principal payments, are not due and payable in the current period and therefore are not reported in the funds. 302,091

The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds (67,782)

This amount represents the current year bond premium amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. 2,466

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. 28,472

Internal service fund is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities. 258,428

Change in net position of governmental activities \$ 1,083,202

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2022**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Major Funds		Non-Major Fund		Internal Service Funds
	Sewer Fund	Water Fund	Transit fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 1,239,281	\$ 26,664	\$ 4,018	\$ 1,269,963	\$ 445,558
Restricted cash	156,558	555,935	-	712,493	-
Accounts receivable	69,784	53,679	28,848	152,311	-
Inventories	32,868	37,166	-	70,034	38,026
Due from government units	270,914	25,199	-	296,113	-
Prepaid expenses	-	-	2,152	2,152	19,370
Capital assets - net	<u>3,732,726</u>	<u>12,267,012</u>	<u>647,409</u>	<u>16,647,147</u>	<u>1,030,466</u>
<b>Total assets</b>	<u>5,502,131</u>	<u>12,965,655</u>	<u>682,427</u>	<u>19,150,213</u>	<u>1,533,420</u>
Deferred outflows of resources - pension	34,852	36,680	38,654	110,186	14,178
<b>Liabilities</b>					
Accounts payable	2,323	39,710	8,193	50,226	325,864
Accrued expenses	25,618	53,225	15,637	94,480	15,045
Lease payable, current	-	-	-	-	55,175
Current maturities on long-term debt	40,000	250,000	-	290,000	122,876
Net pension liability	85,694	90,412	90,102	266,208	33,622
Lease payable	-	-	-	-	146,112
Bonds/note payable	<u>1,674,000</u>	<u>8,050,000</u>	<u>-</u>	<u>9,724,000</u>	<u>285,402</u>
<b>Total liabilities</b>	<u>1,827,635</u>	<u>8,483,347</u>	<u>113,932</u>	<u>10,424,914</u>	<u>984,096</u>
Deferred inflows of resources - pension	19,802	20,722	20,200	60,724	9,640
<b>Net Position</b>					
Restricted	156,558	555,935	-	712,493	-
Unrestricted	<u>3,532,988</u>	<u>3,942,331</u>	<u>586,949</u>	<u>8,062,268</u>	<u>553,862</u>
<b>Total net position</b>	<u>\$ 3,689,546</u>	<u>\$ 4,498,266</u>	<u>\$ 586,949</u>	<u>\$ 8,774,761</u>	<u>\$ 553,862</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2022**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Major Funds		Non-major Fund		Internal Service Fund
	Sewer Fund	Water Fund	Transit fund		
Operating revenues:					
Charges for services	\$ 1,046,041	\$ 1,191,392	\$ 48,498	\$ 2,285,931	\$ 1,525,196
Federal operating grants	-	-	109,342	109,342	-
State operating grants	-	-	100,894	100,894	-
Other revenues	4,583	287	4,030	8,900	12,484
Total operating revenues	<u>1,050,624</u>	<u>1,191,679</u>	<u>262,764</u>	<u>2,505,067</u>	<u>1,537,680</u>
Operating expenses					
General administration	58,201	92,119	121,586	271,906	924,538
Meter reading	4,167	24,477	-	28,644	-
Purchased services	370,400	295,436	-	665,836	-
Operations and maintenance	376,956	269,386	201,731	848,073	470,366
Depreciation	136,919	521,699	84,234	742,852	113,423
Total operating expenses	<u>946,643</u>	<u>1,203,117</u>	<u>407,551</u>	<u>2,557,311</u>	<u>1,508,327</u>
Operating income (loss)	<u>103,981</u>	<u>(11,438)</u>	<u>(144,787)</u>	<u>(52,244)</u>	<u>29,353</u>
Non-operating revenues (expenses)					
Gain on sale of assets	-	-	-	-	7,107
Interest income	1,908	952	46	2,906	101
Interest expense	(38,919)	(195,813)	-	(234,732)	(15,406)
Total non-operating revenues (expenses)	<u>(37,011)</u>	<u>(194,861)</u>	<u>46</u>	<u>(231,826)</u>	<u>(8,198)</u>
Income (loss) before capital contributions and transfers	<u>66,970</u>	<u>(206,299)</u>	<u>(144,741)</u>	<u>(284,070)</u>	<u>21,155</u>
Capital contributions					
Federal grants	228,691	25,062	-	253,753	235,819
State grants	124,517	-	-	124,517	-
Total capital contributions	<u>353,208</u>	<u>25,062</u>	<u>-</u>	<u>378,270</u>	<u>235,819</u>
Transfers in	-	-	25,000	25,000	-
Change in net position	420,178	(181,237)	(119,741)	119,200	256,974
Net position (deficit), beginning of the year	3,269,368	4,679,503	706,690	8,655,561	296,888
Net position (deficit), end of year	<u>\$ 3,689,546</u>	<u>\$ 4,498,266</u>	<u>\$ 586,949</u>	<u>\$ 8,774,761</u>	<u>\$ 553,862</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2022**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Major Funds		Non-major Fund		Internal Service Funds
	Sewer Fund	Water Fund	Transit fund		
Cash flows from operating activities					
Receipts from customers	\$ 1,040,602	\$ 1,211,416	\$ 86,554	\$ 2,338,572	\$ 1,537,680
Payments to suppliers	(863,931)	(651,911)	(194,740)	(1,710,582)	(911,713)
Payments to employees	(75,100)	(118,991)	(120,544)	(314,635)	(175,260)
Other receipts (payments)	-	-	214,266	214,266	-
Net cash provided by operating activities	<u>101,571</u>	<u>440,514</u>	<u>(14,464)</u>	<u>527,621</u>	<u>450,707</u>
Cash flows from noncapital financing activities					
Operating subsidies and transfers to other funds	-	-	15,000	15,000	-
Cash flows from capital and related financing activities					
Purchases of capital assets	(134,187)	(33,515)	-	(167,702)	(433,075)
Principal paid on capital debt	(39,000)	(242,000)	-	(281,000)	(170,522)
Non-operating grants	353,208	25,062	-	378,270	235,819
Interest paid on capital debt	(38,919)	(195,813)	-	(234,732)	(15,406)
Loan proceeds	-	-	-	-	158,575
Proceeds on sale of assets	-	-	-	-	7,107
Net cash (used) by capital and related financing activities	<u>141,102</u>	<u>(446,266)</u>	<u>-</u>	<u>(305,164)</u>	<u>(217,502)</u>
Cash flows from investing activities					
Interest and dividends	1,908	952	46	2,906	101
Net (decrease) in cash	244,581	(4,800)	582	240,363	233,306
Balances - beginning of the year	1,151,258	587,399	3,436	1,742,093	212,252
Balances - end of the year	<u>\$ 1,395,839</u>	<u>\$ 582,599</u>	<u>\$ 4,018</u>	<u>\$ 1,982,456</u>	<u>\$ 445,558</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 103,981	\$ (11,438)	\$ (144,787)	\$ (52,244)	\$ 29,353
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	136,919	521,699	84,234	742,852	113,423
Change in assets and liabilities:					
Receivables, net	(10,022)	19,737	38,056	47,771	-
Due to/from other governmental units	(119,970)	(25,199)	-	(145,169)	-
Deferred outflows and inflows	1,313	1,484	1,730	4,527	805
Inventory	(7,105)	1,628	-	(5,477)	(4,393)
Prepaid expenses	-	-	(204)	(204)	(1,835)
Net pension liability	2,210	2,040	2,953	7,203	649
Accounts and other payables	(4,584)	(68,774)	2,871	(70,487)	311,306
Accrued expenses	(1,171)	(663)	683	(1,151)	1,399
Net cash provided by operating activities	<u>\$ 101,571</u>	<u>\$ 440,514</u>	<u>\$ (14,464)</u>	<u>\$ 527,621</u>	<u>\$ 450,707</u>

The accompanying notes to the financial statements are an integral part of this statement.



**CITY OF HANCOCK**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2022**

	<u>Custodial Fund</u>
Assets	
Cash and equivalents	\$ 253
Total assets	<u>253</u>
Liabilities	
Due to other funds	-
Due to other governmental units	253
Total liabilities	<u>253</u>
Net position-restricted for	
Individuals, organizations, and other governments	-
Total net position	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended June 30, 2022**

	Custodial Fund
Additions	
Property taxes collected for other governments	\$ 6,447,556
Deductions	
Property taxes distributed to other governments	6,447,556
Net increase (decrease) in fiduciary net position	-
Net position - beginning	-
Net position - ending	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

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On November 10, 1987, the voters of the City of Hancock voted to establish a Charter Commission for the purpose of rewriting the City Charter that was adopted on July 13, 1982. A new City Charter was drafted by the Charter Commission and approved by the State of Michigan on November 16, 1987. On August 2, 1988, City voters approved the new charter, which changed the City's form of government to the City Council/Manager form.

The City provides services for public safety, public works, sanitation, recreation, and community development as authorized by its Charter.

The accounting policies of the City of Hancock conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

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

**REPORTING ENTITY**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Hancock (the primary government) and its component unit. 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. The criteria and guidelines of the Governmental Accounting Standards Board Statement Number 14 *The Reporting Entity* are utilized to determine that all applicable entities are included in the combined financial statements of the City.

The primary criterion for inclusion 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.

The following organizations are not included in the reporting entity of the City:

*Hancock Housing Commission*

The Hancock Housing Commission was formulated to construct and operate housing for low income families and senior citizens. The elements considered in the City's determination that the Hancock Housing Commission should not be included as part of the City's general purpose financial statements are as follows:

1. Neither the Council nor management of the City of Hancock is responsible for the designation of the Housing Commission management. Similarly, the City of Hancock does not approve Housing Commission budgets nor does it significantly influence operations.
2. The City of Hancock does not have significant fiscal management responsibilities; it is not responsible for funding or guaranteeing debt, nor does it have a right to receive surplus funds.
3. The City of Hancock provides no ongoing financial support to the Hancock Housing Commission, nor do any special financing relationships exist.
4. Residency in the housing complex is not limited to City residents.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Audited financial information of the Hancock Housing Commission as of and for the year ended December 31, 2021 is as follows:

Total Assets	\$	1,278,180
Total Liabilities	\$	80,277
Total Net Position	\$	1,197,903
Total Revenues	\$	1,070,060
Total Expenses	\$	764,702
Net Operating Income	\$	25,653

*Portage Lake Water and Sewage Authority*

On January 24, 1964, the City of Houghton and the City of Hancock executed a contract to jointly acquire, construct, equip, and operate a sewage treatment plant, including necessary intercepting sewers and appurtenances. Each municipality was to bear one-half of the cost of the sewage treatment plant, pumping stations, and necessary appurtenances and the full cost of its own intercepting sewers. Title to the sewage plant, including land and ownership shall be in the name of the authority whereas the ownership of the intercepting sewers, vests in the respective municipality. Funds for the construction of these facilities were provided by each municipality through the issuance and sale of general obligation bonds and grants totaling \$500,000 from the Federal government. By joint agreement, operating expenses incurred from the inception of operations to February 29, 1966, were shared equally, and for the balance of 1966 on the basis of two-thirds to the City of Houghton, and one-third to the City of Hancock. The contract provides for a joint board to control, manage, and operate the facility with each municipality to share the cost of operation, maintenance, and administration on the basis of relative usage as determined by metered services with 50 percent of the costs of capital expenditures to be paid by each municipality. On December 14, 1972, this agreement was amended to provide allocation of future capital expenditures on the basis of relative usage. The joint board consists of five members of which two are appointed by the respective City Councils and the fifth member appointed by the other four members.

The elements considered in the City's determination that the Portage Lake Water and Sewage Authority (Authority) should not be included as a component unit of the City are as follows:

1. The City of Hancock is not responsible for the designation of the Authority's management.
2. The City does not approve the Authority's annual budget or budget amendments.
3. The City does not significantly influence operations.
4. The Cities each appoint two of the five members to the Authority's Board of Trustees.
5. The City does not have significant fiscal management responsibilities. It does not have a right to receive surplus funds, but is responsible for guaranteeing certain debt along with the City of Houghton.
6. The City provides no direct on-going financial support to the Authority.
7. The City does not hold title to the physical assets of the Authority.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A summary of the Authority's financial information for the year ended June 30, 2022 (most recent year audited) shows the following:

Total Assets	\$ 10,792,563
Total Liabilities	\$ 1,212,351
Total Net Position	\$ 9,580,212
Total Revenues	\$ 1,690,371
Total Expenses	\$ 1,835,482
Long-Term Debt	\$ 787,054

Financial transactions between the City and the Authority, reported in the accompanying financial statements, constitute contractual agreements with the Authority for providing services to the City.

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of component units, have been included in the financial reporting entity either as blended component units or as discretely presented component units.

DISCRETELY PRESENTED COMPONENT UNITS

The component units' columns in the basic financial statements include the financial data of the City's component unit, the Downtown Development Authority (DDA). This unit is reported in a separate column to emphasize that it is legally separate from the City. Complete financial statements of the DDA may be obtained from the City Clerk's Office, 399 Quincy Street, Hancock, MI 49930.

BLENDED COMPONENT UNITS

City of Hancock Building Authority

The Authority is an entity legally separate from the City. The Authority is governed by a board appointed by the City and is reported as if it were part of the City's operations because its primary purpose is a financing vehicle for the construction of City facilities.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the City.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted; and unrestricted net position.

The government-wide statement of net position reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of net position reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The City does not allocate indirect costs.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Separate financial statements are provided for governmental funds, Enterprise Funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain major road systems.

Other non-major funds include: Local Street, Redevelopment, Debt Service (Building Authority), Capital Project - Development, and Permanent Fund Type - Cemetery Perpetual Care.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PROPRIETARY FUND TYPES**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary funds principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The City reports the following 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 the 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 reports the following major enterprise funds:

Sewer Fund- The Sewer Fund records maintenance and operations of the sewer services provided for City residents and is financed through user charges.

Water Fund- The Water Fund records maintenance and operations of the water system services provided for the City residents and it is financed through user charges.

Non-major enterprise fund is the Transit Fund.

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 or to other governments, on a cost reimbursement basis. The City's Motor Vehicle Fund and Employee Benefit Fund are Internal Service Type Funds.

Fiduciary Funds - The Fiduciary Fund is used to account for the assets held by the City in a trustee capacity or as an agent for individual, private organizations, other governments and/or other funds. Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are record when a liability is incurred, regardless of the timing of related cash flows. This type of fund includes the Custodial Fund and is reported within the basic financial statements. The Custodial fund accounts for collection and disbursement of property tax collections and is the only fiduciary fund. Fiduciary funds are excluded from the Government-wide statements because the City cannot use these assets to finance its operations.

The City does not report any fiduciary funds as a major fund.

**CITY OF HANCOCK  
 NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

Modified Accrual Method - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

*Other Accounting Policies*

Cash and cash equivalents - Cash and equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Investments - The City reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorizes the City to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The City is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, banker’s acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes - Property taxes are assessed and lien as of December 31, and are levied annually on July 1 with a due date of August 10. A one percent (1%) penalty per month is added to the tax liability for taxes not paid by August 10.

The City bills and collects its own property taxes, and those of the local school District, the Intermediate School District, and County. Collections of other units' taxes and remittance of these collections are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Fund	Purpose	Mills
General	Operating	13.2663
General	Fire - extra voted	.8000
Recreation	Recreation	.7937



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Pensions - For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. Committed fund balance, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Council. A formal resolution of the Council is required to establish, modify or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

Receivables and Payables - Activity between funds are reported as "due to/from other funds." All receivables, including property taxes receivables, are shown net of allowance for uncollectables.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. The individual inventories are recorded as an asset when purchased.

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	5-10 years
Furniture and other equipment	5-10 years

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with an activity are included on their balance sheets. Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation is generally reflected over the estimated useful lives using the straight line method.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Other long-term debt include revenue bonds and compensated absences. Revenue bonds are paid back through charges for services in the enterprise funds.

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 payment of principal and interest reported as expenditures as it is in the government-wide statements.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Requirements for preparing the City's annual budget are outlined in the City Charter. Major procedures in preparing the annual budget are as follows:

1. On or before the 1st Monday in April of each year, the City Manager submits to the City Council an operating budget and capital improvement projections for the ensuing fiscal year.
2. A public hearing on the budget is held not less than one week before the budget's final adoption at such time as the council shall direct.
3. On or before the last day in May, the Council, by resolution, adopts a budget for the ensuing fiscal year.
4. The City Council adopts the budget by activity categories generally the same as those presented in the combined financial statements. All budget amendments and transfers during the fiscal year are approved by the Council. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. The City maintains and monitors the budget on a line item basis for accounting control purposes. During the year ended June 30, 2022, the City's budget had been amended.
5. The City allows all unencumbered and unexpended appropriations to lapse at year end.

In accordance with the State of Michigan Budgeting and Accounting Act, the City must adopt an annual operating budget for the General and Special Revenue.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the General Fund and Major Street Fund are noted in the required supplementary information section.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE C - CASH**

At year-end, the City’s cash deposits, checking, savings and certificates of deposit with a maturity of three months or less when acquired, were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the City is as follows:

	Governmental	Enterprise Fund	Total	Component Unit	Fiduciary Fund
Cash and cash equivalents	\$ 2,948,132	\$ 1,269,963	\$ 4,218,095	\$ 84,587	\$ -
Restricted cash	228,072	712,493	940,565	-	253
Total cash	<u>\$ 3,176,204</u>	<u>\$ 1,982,456</u>	<u>\$ 5,158,660</u>	<u>\$ 84,587</u>	<u>\$ 253</u>

Interest Rate Risk - In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City’s cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2022, \$4,499,247 of the City’s bank balance of \$5,183,449 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Restricted Cash

The City has restricted cash accounts net of liabilities that are restricted for specific future use as follows:

	General Fund	Other Funds	Enterprise Funds
Main Street Local	\$ 42,926	Cemetery Perpetual \$ 185,146	Water Fund \$ 555,935
			Sewer Fund \$ 156,558

General Fund: Main Street Local Pool: In 1993, funds were received from the Department of Housing and Urban Development to establish a revolving loan pool in cooperation with Mainstreet Hancock Inc., a current domestic michigan non-profit corporation. The funds are restricted to be used in the revolving loan program or to further the goals of the original grant in which the funds were received. The \$42,926 represents the balance of the commercial loan program. As of June 30, 2022, there were no outstanding loan balances.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE C - CASH (Continued)**

Enterprise Funds: Certain proceeds from operations are restricted for the payment of revenue and general obligation bonds and, accordingly, are recorded as restricted assets in the amount of \$712,493 as of June 30, 2022. Use of these restricted assets are limited by applicable bond indentures and ordinances.

The Cemetery Perpetual Care Trust balance of \$185,146 is reserved for the perpetual care of cemetery lots.

**NOTE D - TRANSFERS AND INTERFUND BALANCES**

For the year then ended, interfund transfers consisted of the following:

Fund	Transfer In	Fund	Transfer Out
General fund	\$ 3,200	General fund	\$ 25,000
Transit fund	25,000	DDA fund	3,200
Total	<u>\$ 28,200</u>	Total	<u>\$ 28,200</u>

The transfers between funds represents the use of unrestricted resources to finance these programs, in accordance with budgetary authorizations.

**NOTE E - CAPITAL ASSETS**

Capital Asset activity of the City’s governmental activities was as follows:

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated				
Land	\$ 438,896	\$ -	\$ -	\$ 438,896
Construction in progress	82,109	322,742	82,109	322,742
Subtotal	<u>\$ 521,005</u>	<u>\$ 322,742</u>	<u>\$ 82,109</u>	<u>\$ 761,638</u>
Capital assets and intangibles, being depreciated and amortized				
Buildings	2,762,930	\$ 239,317	\$ -	3,002,247
Equipment	1,381,679	507,538	-	1,889,217
Improvements	10,779,240	83,840	-	10,863,080
Vehicles	2,295,758	-	2,200	2,293,558
Right of use asset	144,974	200,591	-	345,565
Subtotal	<u>17,364,581</u>	<u>\$ 1,031,286</u>	<u>\$ 2,200</u>	<u>18,393,667</u>
Accumulated depreciation and amortization				
Building	1,676,310	\$ 65,569	\$ -	1,741,879
Equipment	1,034,480	62,261	-	1,096,741
Improvements	3,483,267	501,825	-	3,985,092
Vehicles	1,792,192	54,126	2,200	1,844,118
Right of use asset	67,655	48,497	-	116,152
Subtotal	<u>8,053,904</u>	<u>\$ 732,278</u>	<u>\$ 2,200</u>	<u>8,783,982</u>
Net capital assets being depreciated	<u>9,310,677</u>			<u>9,609,685</u>
Net capital assets	<u>\$ 9,831,682</u>			<u>\$ 10,371,323</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE E - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental activities of the City as follows:

Depreciation	
General Fund	\$ 158,746
DDA	7,014
Major Streets Fund	360,475
Local Streets Fund	92,620
Motor Vehicle Fund	<u>64,926</u>
	683,781
Amortization	
Motor Vehicle Fund - Right of use	<u>48,497</u>
Total	<u>\$ 732,278</u>

The components of property, plant, and equipment in City proprietary funds at June 30, 2022 are summarized as follows:

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
<b>TRANSIT FUND</b>				
Capital assets, being depreciated				
Buildings	\$ 716,473	\$ -	\$ -	\$ 716,473
Equipment	43,120	-	-	43,120
Vehicles	466,089	-	-	466,089
Subtotal	<u>1,225,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,225,682</u>
Accumulated depreciation:				
Buildings	183,595	\$ 17,912	\$ -	201,507
Equipment	43,120	-	-	43,120
Vehicles	267,324	66,322	-	333,646
Subtotal	<u>494,039</u>	<u>\$ 84,234</u>	<u>\$ -</u>	<u>578,273</u>
Net capital assets	<u>\$ 731,643</u>			<u>\$ 647,409</u>
<b>SEWER DISPOSAL FUND</b>				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 122,887	\$ -	\$ 122,887
Capital assets, being depreciated				
Buildings	\$ 754,725	\$ -	\$ -	\$ 754,725
Vehicles	7,500	-	-	7,500
Furniture and equipment	-	11,300	-	11,300
Utility system	9,549,391	-	-	9,549,391
Subtotal	<u>10,311,616</u>	<u>\$ 11,300</u>	<u>\$ -</u>	<u>10,322,916</u>
Accumulated depreciation:				
Buildings	754,726	\$ -	\$ -	754,726
Vehicles	6,500	1,000	-	7,500
Furniture and equipment	-	135	-	135
Utility system	5,814,932	135,784	-	5,950,716
Subtotal	<u>6,576,158</u>	<u>\$ 136,919</u>	<u>\$ -</u>	<u>6,713,077</u>
Net capital assets	<u>\$ 3,735,458</u>			<u>\$ 3,732,726</u>

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE E - CAPITAL ASSETS (Continued)**

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
<b>WATER SUPPLY FUND</b>				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 33,515	\$ -	\$ 33,515
Capital assets, being depreciated				
Buildings	1,700,560	\$ -	\$ -	1,700,560
Equipment	13,382	-	-	13,382
Vehicles	7,500	-	-	7,500
Land	73,500	-	-	73,500
Loan fees/lease	238,496	-	-	238,496
Utility system	18,932,132	-	-	18,932,132
Subtotal	<u>20,965,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,965,570</u>
Accumulated depreciation:				
Buildings	1,645,692	\$ -	\$ -	1,645,692
Equipment	13,381	-	-	13,381
Vehicles	5,500	1,000	-	6,500
Loan fees/lease	210,230	4,490	-	214,720
Utility system	6,335,571	516,209	-	6,851,780
Subtotal	<u>8,210,374</u>	<u>\$ 521,699</u>	<u>\$ -</u>	<u>8,732,073</u>
Net capital assets	<u>\$ 12,755,196</u>			<u>\$ 12,267,012</u>

**NOTE F - PAYABLES**

Accounts payable and accrued liabilities as of June 30, 2022, for the City’s governmental funds individual major funds and non-major funds in the aggregate, are as follows:

<u>Payables</u>	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
Accounts payable	\$ 590,366	\$ 50,226	\$ 640,592
Accrued expenses	99,883	48,675	148,558
Total	<u>\$ 690,249</u>	<u>\$ 98,901</u>	<u>\$ 789,150</u>

**NOTE G - ACCUMULATED UNPAID VACATION AND SICK LEAVE**

City employees generally earn sick leave at the rate of one day per month. Accumulated sick leave per employee cannot exceed ninety (90) days and is paid to union employees upon retirement or to beneficiaries in case of death. At termination, non-union employees receive 2/25 of their accumulated sick leave plus an additional 1/25 of that accumulation for each year of service until full accumulation is paid for 25 years of service or age 65. For non-union employees, vacation pay is accumulated annually based on length of service and must be used within one year. Teamsters have two years to used accumulated vacation.

Accumulated unpaid vacation and sick leave at June 30, 2022 was \$76,528 and \$116,935 respectively.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT**

GOVERNMENTAL ACTIVITIES

Michigan Department of Transportation: On April 15, 2019 the City of Hancock entered into a State Infrastructure Loan in the amount of \$756,136 to be used for the 20% local match required for the Federal Highway Administration flood repair grant revenue. The loan has an interest rate of 0% per annum with principal amounts payable annually on April 15.

Fiscal Year	Principal
2022-2023	\$ 189,034
2024-2025	189,034
	\$ 378,068

Superior National Bank: On December 15, 2016 the City of Hancock authorized the purchase of a fire truck (pumper with Freightliner MD106 crew cab chassis) with financing through Superior National Bank in the amount of \$280,000. The loan has an interest rate of 2.49% per annum with principal amounts and interest payable annually on July 15.

Fiscal Year	Principal	Interest	Total
2022-2023	\$ -	\$ -	\$ -
2023-2024	39,744	1,071	40,815
	\$ 39,744	\$ 1,071	\$ 40,815

2015 Advance Refunding: On October 7, 2015, the City of Hancock issued limited tax general obligation refunding bonds, series 2015 of \$1,240,000. Proceeds from this bond issue were used to payoff the 1997 and 1998 Building Authority bonds and the U.S. Department of Agriculture Community Facilities Loans. The bond was split into three separate bond schedules. Premium on bond in the amount of \$32,062 is being amortized over the life of the bond. Current portion of amortization is \$2,466.

Fire Hall Refund 1997 Bonds: The bond issue matures as indicated below with interest at varying rates 2% to 4% per annum. Interest payments started on April 1, 2016 and are payable semi-annually on April 1 and October 1.

Fiscal Year	Principal	Interest	Total
2022-2023	\$ 30,000	\$ 5,165	\$ 35,165
2023-2024	30,000	4,310	34,310
2024-2025	30,000	3,455	33,455
2025-2026	30,000	2,600	32,600
2026-2027	35,000	1,400	36,400
	\$ 155,000	\$ 16,930	\$ 171,930

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT (Continued)**

*Public Works Garage Refund 1998 Bonds:* The bond issue matures as indicated below with interest at varying rates 2% to 4% per annum. Interest payments started on April 1, 2016 and are payable semi-annually on April 1 and October 1.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 55,000	\$ 12,303	\$ 67,303
2023-2024	55,000	10,735	65,735
2024-2025	55,000	9,168	64,168
2025-2026	60,000	7,600	67,600
2026-2027	65,000	5,200	70,200
2027-2028	65,000	2,600	67,600
	<u>\$ 355,000</u>	<u>\$ 47,606</u>	<u>\$ 402,606</u>

Refunding bond series 2021: On December 15, 2021, the City of Hancock issued limited tax general obligation refunding bonds, series 2021 of \$456,000. Proceeds from this bond issue were used to payoff the 2008A and 2008B Building Authority bonds. The bond issue matures as indicated below with an interest rate of 2.5%. Interest and principal payments started on June 1, 2022 and are payable semi-annually on June 1 and December 1.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 22,000	\$ 10,900	\$ 32,900
2023-2024	23,000	10,350	33,350
2024-2025	24,000	9,775	33,775
2025-2026	24,000	9,175	33,175
2026-2027	25,000	8,575	33,575
2027-2028	25,000	7,950	32,950
2028-2029	26,000	7,325	33,325
2029-2030	27,000	6,675	33,675
2030-2031	27,000	6,000	33,000
2031-2032	28,000	5,324	33,324
2032-2037	153,000	15,750	168,750
2037-2038	32,000	800	32,800
	<u>\$ 436,000</u>	<u>\$ 98,599</u>	<u>\$ 534,599</u>



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT (Continued)**

ENTERPRISE FUNDS

2011A Water Supply System Junior Lien Revenue and Refunding Bond: On June 21, 2011, the City of Hancock authorized the sale of a Water Supply System Revenue Bond in the amount of \$1,225,000 for the purpose of constructing improvements to the City's water supply system and to refund prior bonds. The bond was issued in a single denomination of \$1,225,000 at an interest rate of 2.625% per annum with principal amounts payable May 1 and interest payable semi-annually on December 1 and May 1. Principal installments are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after June 1, 2012, at par plus accrued interest to the date fixed for prepayment. Bonds are financed with the United States Department of Agriculture.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 24,000	\$ 26,302	\$ 50,302
2023-2024	24,000	25,672	49,672
2024-2025	25,000	25,042	50,042
2025-2026	25,000	24,386	49,386
2026-2031	137,000	111,641	248,641
2031-2036	156,000	92,689	248,689
2036-2041	180,000	71,006	251,006
2041-2046	205,000	46,069	251,069
2046-2051	226,000	17,928	243,928
	<u>\$ 1,002,000</u>	<u>\$ 440,735</u>	<u>\$ 1,442,735</u>

2011B Water Supply System Junior Lien Revenue and Revenue Refunding Bond: On June 21, 2011, the City of Hancock authorized the sale of a Water Supply System Revenue Bond in the amount of \$3,745,000 for the purpose of constructing improvements to the water supply system and to refund prior bonds. The bond was issued at an interest rate of 2.375% per annum with principal amounts payable May 1 and interest payable semi-annually on December 1 and May 1. Principal installments are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after June 1, 2012, at par plus accrued interest to the date fixed for prepayment. Bonds are financed with the United States Department of Agriculture.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 74,000	\$ 72,129	\$ 146,129
2023-2024	76,000	70,371	146,371
2024-2025	77,000	68,566	145,566
2025-2026	79,000	66,738	145,738
2026-2031	425,000	304,594	729,594
2031-2036	478,000	251,679	729,679
2036-2041	539,000	192,066	731,066
2041-2046	605,000	125,044	730,044
2046-2051	684,000	49,634	733,634
	<u>\$ 3,037,000</u>	<u>\$ 1,200,821</u>	<u>\$ 4,237,821</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT (Continued)**

2010 Sanitary Sewage Disposal System: On December 8, 2010 the City of Hancock authorized the sale of a Water Supply System Revenue Bond in the amount of \$2,092,000 for the purpose of constructing improvements to the sanitary sewage system. The bond is at an interest rate of 2.25% per annum with principal amounts payable December 1 and interest payable semi-annually on June 1 and December 1. Principal installments are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after December 1, 2011, at par plus accrued interest to the date fixed for prepayment. Bonds are financed with the United States Department of Agriculture.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 40,000	\$ 44,467	\$ 84,467
2023-2024	41,000	43,404	84,404
2024-2025	42,000	42,315	84,315
2025-2026	43,000	41,200	84,200
2026-2031	234,000	188,132	422,132
2031-2036	267,000	155,282	422,282
2036-2041	304,000	117,864	421,864
2041-2046	346,000	75,287	421,287
2046-2051	397,000	26,685	423,685
	<u>\$ 1,714,000</u>	<u>\$ 734,636</u>	<u>\$ 2,448,636</u>

2008 Water Supply System Junior Lien Revenue Bond: On June 23, 2008, the City of Hancock authorized the sale of a Water Supply System Junior Lien Revenue Bond in the amount of \$3,665,000 for the purpose of upgrades and improvements to the existing water systems' connection to the Houghton Valve House and existing source connection. As of June 30, 2011 the full amount of the bond was issued at an interest rate of 2.5% per annum with principal amounts payable April 1 and interest payable semi-annually on October 1 and April 1. Bonds are financed with the Michigan Municipal Bond Authority.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 115,000	\$ 60,125	\$ 175,125
2023-2024	120,000	57,250	177,250
2024-2025	120,000	54,250	174,250
2025-2026	125,000	51,250	176,250
2026-2031	665,000	208,250	873,250
2031-2036	760,000	120,375	880,375
2036-2041	500,000	25,125	525,125
	<u>\$ 2,405,000</u>	<u>\$ 576,625</u>	<u>\$ 2,981,625</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT (Continued)**

2016 Water Supply System Junior Lien Revenue Bond, Series 2016A: On October 21, 2015, the City of Hancock authorized the sale of a Water Supply System Junior Lien Revenue Bond in the amount of \$1,992,000 for the purpose of upgrades and improvements to the existing City's water system.

The bond was issued at an interest rate of 1.75% per annum with principal amounts payable May 1 and interest payable semi-annually on November 1 and May 1. Bonds are financed with the United States Department of Agriculture.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 36,000	\$ 31,308	\$ 67,308
2023-2024	37,000	30,678	67,678
2024-2025	38,000	30,030	68,030
2025-2026	39,000	29,365	68,365
2026-2031	206,000	136,343	342,343
2031-2036	230,000	117,512	347,512
2036-2041	255,000	96,512	351,512
2041-2046	283,000	73,273	356,273
2046-2051	315,000	47,407	362,407
2051-2056	350,000	18,671	368,671
	<u>\$ 1,789,000</u>	<u>\$ 611,099</u>	<u>\$ 2,400,099</u>

2016 Water Supply System Junior Lien Revenue Bond, Series 2016B: on October 21, 2015, the City of Hancock authorized the sale of a Water Supply System Junior Lien Revenue Bond in the amount of \$73,000 for the purpose of upgrades and improvements to the existing City's water system.

The bond was issued at an interest rate of 1.75% per annum with principal amounts payable May 1 and interest payable semi-annually on November 1 and May 1. Bonds are financed with the United States Department of Agriculture.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 1,000	\$ 1,173	\$ 2,173
2023-2024	1,000	1,155	2,155
2024-2025	1,000	1,138	2,138
2025-2026	1,000	1,120	2,120
2026-2031	7,000	5,320	12,320
2031-2036	10,000	4,550	14,550
2036-2041	10,000	3,675	13,675
2041-2046	10,000	2,800	12,800
2046-2051	10,000	1,925	11,925
2051-2056	16,000	1,050	17,050
	<u>\$ 67,000</u>	<u>\$ 23,906</u>	<u>\$ 90,906</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT (Continued)**

**INTERNAL SERVICE FUNDS - INSTALLMENT LOANS**

The City is authorized, pursuant to Act 99 of the Public Acts of Michigan of 1933, as amended ("Act 99"), to purchase equipment, to be paid for in installments.

<u>Purpose of Note</u>	<u>Date</u>	<u>Original</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>	<u>Current</u>
2011 Sander	4/20/11	\$ 187,000	10/1/26	4.13 %	\$ 45,000	\$ 10,500
2011 Grader	4/20/11	\$ 130,000	4/1/26	4.00 %	\$ 60,500	\$ 14,000
2017 Western Star Sander/Scraper	12/15/16	\$ 145,000	12/15/23	2.49 %	\$ 21,233	\$ 21,233
2019 International Dump Truck	12/20/18	\$ 81,439	12/20/23	3.89 %	\$ 34,350	\$ 16,907
2020 Snow Blower	1/24/2020	\$ 143,773	1/24/25	2.75 %	\$ 88,620	\$ 28,735
2021 Grader	11/23/21	\$ 158,575	7/23/26	1.88 %	\$ 158,575	\$ 31,501
Total					<u>\$ 408,278</u>	<u>\$ 122,876</u>

**INTERNAL SERVICE FUNDS - CAPITAL LEASES**

On March 1, 2019 the City leased a 2019 Caterpillar 930M wheel loader and recognized a right to use asset of \$144,974. The lease term is 60 months, is non-cancelable, and provides an option to buy the equipment at the end of the lease. The lease does not include an implicit rate. An interest rate of 4.855% was used based on the financing of an equipment purchase by the City within the same year. Annual payments are \$31,804.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	<u>\$ 30,334</u>	<u>\$ 1,471</u>	<u>\$ 31,805</u>

On December 23, 2021 the City leased a 2021 Caterpillar 938M small wheel loader and recognized a right to use asset of \$200,591. The lease term is 72 months with an implicit rate of 2.989% , is non-cancelable, and provides an option to buy the equipment at the end of the lease. Annual payments are \$31,804 with the final payment being \$70,400.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2023	\$ 24,841	\$ 4,795	\$ 29,636
2023-2024	25,214	4,423	29,637
2024-2025	25,968	3,670	29,638
2025-2026	26,744	2,893	29,637
2026-2027	68,186	2,220	70,406
	<u>\$ 170,953</u>	<u>\$ 18,001</u>	<u>\$ 188,954</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT (Continued)**

Long-term debt liabilities for governmental activities, are reported in and liquidated through the General, Major and Local Street, Parks and Recreation, Building Authority, Employee Benefits and Motor Vehicle funds for the fiscal year ended June 30, 2022, was as follows:

	Balance July 01, 2021	Increase	Decrease	Balance June 30, 2022	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
Superior National Bank - Fire truck	\$ 81,800	\$ -	\$ 42,056	\$ 39,744	\$ -
MDOT State Infrastructure Bank Loan	567,102	-	189,034	378,068	189,034
2015 Refunding Bond:					
Fire Hall	180,000	-	25,000	155,000	30,000
Public Works Garage	405,000	-	50,000	355,000	55,000
2008A Building Authority Bonds	358,000	-	358,000	-	-
2008B Building Authority Bonds	74,000	-	74,000	-	-
2021 Refunding (2008A and 2008B) Bonds	-	456,000	20,000	436,000	22,000
Premium on 2015 refunding bond	17,264	-	2,466	14,798	-
	<u>1,683,166</u>	<u>456,000</u>	<u>760,556</u>	<u>1,378,610</u>	<u>296,034</u>
<b>INTERNAL SERVICE FUND</b>					
Installment Loans	361,658	158,575	111,955	408,278	122,876
2019 Caterpillar lease	59,263	-	28,929	30,334	30,334
2021 Caterpillar lease	-	200,591	29,638	170,953	24,841
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 2,044,824</u>	<u>\$ 815,166</u>	<u>\$ 931,078</u>	<u>\$ 1,988,175</u>	<u>\$ 474,085</u>
<b>ENTERPRISE FUNDS</b>					
2010 Sanitary Sewage Disposal Bonds	\$ 1,753,000	\$ -	\$ 39,000	\$ 1,714,000	\$ 40,000
2011A Water Supply System Bonds	1,025,000	-	23,000	1,002,000	24,000
2011B Water Supply System Bonds	3,109,000	-	72,000	3,037,000	74,000
2016A Water Revenue Bond	1,825,000	-	36,000	1,789,000	36,000
2016B Water Revenue Bond	68,000	-	1,000	67,000	1,000
2008 Water Supply System Bond	2,515,000	-	110,000	2,405,000	115,000
<b>TOTAL ENTERPRISE FUNDS</b>	<u>\$ 10,295,000</u>	<u>\$ -</u>	<u>\$ 281,000</u>	<u>\$ 10,014,000</u>	<u>\$ 290,000</u>
Accrued compensated absences	<u>\$ 138,094</u>	<u>\$ 55,369</u>	<u>\$ -</u>	<u>\$ 193,463</u>	

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE H - LONG TERM DEBT (Continued)**

The aggregate amount of maturities on long-term debt by fund type is as follows:

GOVERNMENTAL ACTIVITIES			
Fiscal Year	Principal	Interest	Total
2022-2023	\$ 296,034	\$ 28,368	\$ 324,402
2023-2024	336,778	26,466	363,244
2024-2025	109,000	22,398	131,398
2025-2026	114,000	19,375	133,375
2026-2027	125,000	15,175	140,175
2027-2028	90,000	10,550	100,550
2028-2029	26,000	7,325	33,325
2029-2030	27,000	6,675	33,675
2030-2031	27,000	6,000	33,000
2031-2032	28,000	5,324	33,324
2032-2037	153,000	15,750	168,750
2037-2042	32,000	800	32,800
	<u>\$ 1,363,812</u>	<u>\$ 164,206</u>	<u>\$ 1,528,018</u>

INTERNAL SERVICE FUNDS			
Fiscal Year	Principal	Interest	Total
2022-2023	\$ 122,876	\$ 11,927	\$ 134,803
2023-2024	104,778	7,763	112,541
2024-2025	89,442	4,591	94,033
2025-2026	60,403	2,028	62,431
2026-2027	30,779	291	31,070
	<u>\$ 408,278</u>	<u>\$ 26,600</u>	<u>\$ 434,878</u>

ENTERPRISE FUNDS			
Fiscal Year	Principal	Interest	Total
2022-2023	\$ 290,000	\$ 235,504	\$ 525,504
2023-2024	299,000	228,530	527,530
2024-2025	303,000	221,341	524,341
2025-2026	312,000	214,059	526,059
2026-2031	1,674,000	954,280	2,628,280
2031-2036	1,901,000	742,087	2,643,087
2036-2041	1,788,000	506,248	2,294,248
2041-2046	1,449,000	322,473	1,771,473
2046-2051	1,632,000	143,579	1,775,579
2051-2056	366,000	19,721	385,721
	<u>\$ 10,014,000</u>	<u>\$ 3,587,822</u>	<u>\$ 13,601,822</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE I - PENSION PLAN**

*Plan Description:* The City participates in the Municipal Employees Retirement System (MERS) of Michigan which provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Retirement benefits for employees are calculated as two percent of the employee's five-year final average compensation times the employee's years of service. Normal retirement age is 60 with early retirement at a reduced benefit at age 50 with 25 years of service or at age 55 with 15 years of service. Deferred retirement benefits vest after 8 years of service and member contributions are 5% of payroll.

Employees covered by benefit terms - At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits (including refunds)	8
Active employees	<u>14</u>
Total employees covered by MERS	<u><u>32</u></u>

Contributions - The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees. Employer contributions were 27.44% of annual payroll.

Net Pension Liability - The City's Net Pension Liability reported as of June 30, 2022 was measured as of December 31, 2021 and was determined by an annual actuarial valuation as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/20	\$ 5,122,752	\$ 3,171,884	\$ 1,950,868
Service cost	98,573	-	98,573
Interest on total pension liability	382,187	-	382,187
Changes in benefits	-	-	-
Difference between expected and actual experience	38,799	-	38,799
Changes in assumptions	209,237	-	209,237
Employer contributions	-	232,888	(232,888)
Employee contributions	-	39,216	(39,216)
Net investment income	-	426,723	(426,723)
Benefit payments, including employee refunds	(286,513)	(286,513)	-
Administrative expense	-	(5,050)	5,050
Other changes	-	-	-
Net changes	<u>442,283</u>	<u>407,264</u>	<u>35,019</u>
Balances as of 12/31/21	<u><u>\$ 5,565,035</u></u>	<u><u>\$ 3,579,148</u></u>	<u><u>\$ 1,985,887</u></u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE I - PENSION PLAN (Continued)**

Actuarial assumptions - The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.00%	
Salary increases	3.00%	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation.
Investment rate of return	7.00%	Gross of pension plan investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2021, the measurement date, for each major asset class summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-tem expected real rate of return</u>
Global equity	60.0%	3.15%
Global fixed income	20.0%	.25%
Private investments	20.0%	1.45%

Discount rate - The discount rate used to measure the total pension liability is 7.25% for 2021. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate - The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the City’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE I - PENSION PLAN (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability of the City	\$ 2,662,335	\$ 1,985,887	\$ 1,420,410

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in a separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same bases as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Pension expense and deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pensions - For the year ended June 30, 2022 the City recognized pension expense of \$336,201. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences in experience	\$ 140,480	\$ 62,256
Differences in assumptions	449,366	-
Excess (deficit) investment returns	128,074	451,048
Contributions subsequent to the measurement date	125,062	-
Total	<u>\$ 842,982</u>	<u>\$ 513,304</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2023.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended</u>	<u>Amount</u>
2022	\$ 110,014
2023	104,757
2024	40,717
2025	(12,992)
2026	(37,880)
	<u>\$ 204,616</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE J - ENTERPRISE FUNDS - SEGMENT INFORMATION**

The City maintains three Enterprise Funds which provide water, sewer, and transit services. Segment information for the year ended June 30, 2022 is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Transit</u>
Operating revenues	\$ 1,050,624	\$ 1,191,679	\$ 262,764
Depreciation	\$ 136,919	\$ 521,699	\$ 84,234
Income (loss) from operations	\$ 103,981	\$ (11,438)	\$ (144,787)
Non-operating revenues (expenses)	\$ (37,011)	\$ (194,861)	\$ 46
Capital contributions and transfers	\$ 353,208	\$ 25,062	\$ 25,000
Net income (loss)	\$ 420,178	\$ (181,237)	\$ (119,741)
Property, plant & equipment additions	\$ 134,187	\$ 33,515	\$ -
<b>Assets</b>			
Current assets	\$ 1,769,405	\$ 698,643	\$ 35,018
Capital assets - net	\$ 3,732,726	\$ 12,267,012	\$ 647,409
Total assets	\$ 5,502,131	\$ 12,965,655	\$ 682,427
Deferred outflow of resources	\$ 34,852	\$ 36,680	\$ 38,654
<b>Liabilities and net position</b>			
Current liabilities	\$ 67,941	\$ 342,935	\$ 23,830
Due to other funds	\$ -	\$ -	\$ -
Long term liabilities	\$ 1,759,694	\$ 8,140,412	\$ 90,102
Total liabilities	\$ 1,827,635	\$ 8,483,347	\$ 113,932
Deferred inflows of resources	\$ 19,802	\$ 20,722	\$ 20,200
Net investment in capital assets	\$ 2,018,726	\$ 3,967,012	\$ 647,409
Restricted net position	\$ 156,558	\$ 555,935	\$ -
Unrestricted net position	\$ 3,532,988	\$ 3,942,331	\$ 586,949
Total net position	\$ 3,689,546	\$ 4,498,266	\$ 586,949
<b>Net cash provided (used) by:</b>			
Operating activities	\$ 101,571	\$ 440,514	\$ (14,464)
Noncapital financing activities	\$ -	\$ -	\$ 15,000
Capital & related financing activities	\$ 141,102	\$ (446,266)	\$ -
Investing activities	\$ 1,908	\$ 952	\$ 46
Beginning cash	\$ 1,151,258	\$ 587,399	\$ 3,436
Ending cash	\$ 1,395,839	\$ 582,599	\$ 4,018

**NOTE K - RESERVES AND RESTRICTED ASSETS**

*Water Fund*

2011A and 2011B Water Supply System Revenue Bonds

The ordinance authorizing issuance of the 2011A and 2011B Water Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond Reserve Account - Quarterly transfers are to be made in the sum of at least \$4,922.50 per quarter, with the annual requirement equal to \$19,690 until there is accumulated in such fund the aggregate sum of \$196,900.

Junior Lien Bond and Interest Redemption Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

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**NOTE K - RESERVES AND RESTRICTED ASSETS (Continued)**

Repair and Replacement Account - Quarterly transfers are to be made in the sum of not less than \$7,425.50, with the annual requirement equal to \$29,702. Until the balance in the Bond Reserve Account reaches \$196,900, the quarterly transfer will be \$2,503.

2016A and 2016B Water Supply System Revenue Bonds

The ordinance authorizing issuance of the 2016A and 2016B Water Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond Reserve Account - Quarterly transfers are to be made in the sum of at least \$1,950 per quarter, with the annual requirement equal to \$7,800 until there is accumulated in such fund the aggregate sum of \$78,000.

Junior Lien Bond and Interest Redemption Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

Repair and Replacement Account - Quarterly transfers are to be made in the sum of not less than \$10,050.50, with the annual requirement equal to \$40,202. During the year, the City utilized funds from this account for repairs to meters in the amount of \$48,025.

*Sewer Fund*

The ordinance authorizing issuance of the 2010 Sewage Disposal System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond Reserve Account - Quarterly transfers are to be made in the sum of at least \$2,136 per quarter, with the annual requirement equal to \$8,544 until there is accumulated in such fund the aggregate sum of \$85,440.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

Repair and Replacement Improvement Account - The general purpose account as of December 2013 has been transferred to the Repair and Replacement Improvement Account (RRI) in the amount of \$41,576 as required. The City may deposit monies in the RRI Account at anytime.

At June 30, 2022, the City had established these accounts and had restricted cash, as required, as follows:

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

**NOTE K - RESERVES AND RESTRICTED ASSETS (Continued)**

	<u>Required</u>	<u>Amount Funded</u>
Water Fund		
<u>2011A and 2011B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 196,900	\$ 196,900
Repair and Replacement Account	100,120	100,120
Bond and Interest Redemption Account	48,358	48,358
	<u>\$ 345,378</u>	<u>\$ 345,378</u>
 <u>2016A and 2016B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 46,800	\$ 46,800
Repair and Replacement Account	146,387	146,387
Bond and Interest Redemption Account	17,370	17,370
	<u>\$ 210,557</u>	<u>\$ 210,557</u>
 Sewer Fund		
<u>2010 Sewage Disposal System Revenue Bonds</u>		
Bond Reserve Account	\$ 93,984	\$ 93,984
Repair and Replacement Account	41,576	41,576
Bond and Interest Redemption Account	20,998	20,998
	<u>\$ 156,558</u>	<u>\$ 156,558</u>

**NOTE L - TRANSIT FUND**

The City of Hancock’s Transit Fund receives grant revenue under Section 10e(4) of PA 51. These funds are to be used to pay for eligible operating expenses for public transportation. The Local Bus Operating Assistance revenue under Act 51 is disbursed to the City based on the amount of eligible operating expenses at the current reimbursement rate. The Local Audit Division of the Michigan Department of Treasury and Michigan Department of Transportation/Bureau of Passenger Transportation administer the audit disclosures and compliance requirements.

The following are required Michigan Department of Transportation disclosures:

- Management provides assurance that the City of Hancock Transit has one approved cost allocation plan, which was adhered to in the preparation of the City of Hancock's financial statements.
- The methodology used for compiling miles and other nonfinancial information used to allocate costs has been reviewed and the recording method has been found to be adequate and reliable.
- The depreciation expense reported in 51300 equals the ineligible depreciation reported in 55007. Therefore, the depreciation assurance regarding approval of useful life is not required.
- No operating expenses are subtracted out as ineligible because no capital money was used to pay for operating expenses.
- The Hancock Transit has not received auxiliary or non-transportation revenue.
- Pension costs incurred for the defined benefit retirement plan administered by MERS were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in STEP 6 of the guide is \$336,201. Of this amount \$4,683 was expensed on the books of the Transit Fund and \$0 was reported on line 50200 Fringes.
- The Transit Fund did not incur, nor pay, any 50201 pension costs or 50202 other post-employment benefits.

The Department of Transportation required schedules are located on pages 68 through 72.

**NOTE M - TAX INCREMENT FINANCING**

The City approved the Downtown Development District and Tax Increment Financing Plan (DDA TIF) dated September 1984. December 17, 2014 an amendment was approved by the City to extend the life of the 1993 Amendment Plan to terminate upon the collections of the last taxes levied for the year 2044. The DDA TIF is a plan to prevent further deterioration and to encourage historic preservation and economic growth in the Downtown District. The DDA TIF Plan is allowed by Michigan Public Act 197 of 1975 (Act 197). The primary purpose of Act 197 is to encourage the marketing and promotion of the Downtown District, historic preservation, catalytic projects and infrastructure improvement projects (streetscapes, lighting, parks, etc.). Tax increment financing is eligible for certain eligible activities. The amount of taxes foregone by the City during the fiscal year was \$131,002.

**NOTE N - RELATED PARTY TRANSACTIONS**

The Portage Lake Water and Sewage Authority is a jointly governed organization consisting of five members, of which two are appointed by the respective City Councils of Houghton and Hancock, and the fifth member appointed by the other four members. The entity is not a component unit of the City. Further financial information is detailed in Note A of these financial statements. As of June 30, 2022, The Portage Lake Water and Sewage Authority owed the City \$37,741, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due from other governmental units.

**NOTE O - RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, errors and omissions, and natural disasters. The City has obtained coverage from a commercial insurance company. The City has comprehensive general liability coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate and has obtained workers compensation coverage.

All risk management activities are accounted for in the financial statements of the City. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2022 will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**NOTE P - CHANGE IN ACCOUNTING PRINCIPLE**

The beginning net position of the motor vehicle fund was restated to reflect the implementation of GASB Statement No. 87, Leases. GASB Statement No. 87 requires lessees to report offsetting intangible lease assets (right of use) and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources. As a result of implementing this statement, the beginning net position of the motor vehicle fund was determined to be \$18,057.

**NOTE Q - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2022**

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**NOTE Q - SUBSEQUENT EVENTS (Continued)**

- On August 2, 2018 the Federal Emergency Management Agency, FEMA, declared a state of emergency for the City of Hancock as a result of storm damage occurring from June 16-18, 2018. Recovery efforts will be funded by FEMA. FEMA requires local matching funds of twenty-five percent local match. FEMA projects have been ongoing and will continue into the 2022-23 fiscal year.
- On May 5, 2021 the City was awarded an Economic Adjustment Assistance grant for the development of a business and technology park. The grant will pay for 80% of project costs with a 20% match required from the City. The total cost of the project is estimated to be \$3,330,140 with the grant covering \$2,664,112 of project costs and the remaining costs to be paid for by the City. The project began in the 2021-22 fiscal year and will continue into the 2022-23 fiscal year.
- On September 7, 2022, the City approved the sale of Spruce Haven lot #13 in the amount of \$19,500.
- On September 21 2022, the City accepted a Michigan DNR Trust fund grant with a total project cost of \$231,900 with a local match of \$60,300. The grant is for the purchase of one-thousand feet of waterfront for Navy Street trail public access.
- On September 21, 2022 the City approved the sale of the 1983 vactor truck in the amount of \$20,000.
- On September 21, 2022 the City approved the construction of a new garage at the Hancock Driving park in the amount of \$35,000.
- On October 5, 2022 the City approved the purchase of a 2023 pickup truck in the amount of \$46,215.
- On October 5, 2022 the City approved a quote to blacktop Water Street at a cost of \$53,000.
- On November 2, 2022 the City approved the construction of a new salt barn at a cost of \$335,000. The Michigan department of transportation will cover 80% of the costs with the City providing the remaining 20%.
- On November 15, 2022 the City approved the purchase of a 2005 Form F550 4WD bucket truck in the amount of \$28,000.
- The police millage proposal on the November 8, 2022 ballot passed. On November 15, 2022, the City approved the collection of .8 mills beginning in the 2022 tax year.
- On September 21, 2022 the DDA purchased the building at 224 Quincy St. in Hancock, Michigan for \$140,000. The City financed the purchase with a loan from Superior National Bank in the amount of \$100,000. The City will pay the remaining \$40,000, with funds on hand.

**NOTE R - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 91, Conduit Debt Obligation, was issued by the GASB in May 2019 and will be effective for the City's 2023 year end. Conduit debt is defined as a debt instrument issued in the name of a state or local government (the issuer) for the benefit of a third party that is primarily liable for the repayment of the debt. The objective of this Statement is to provide a single method for state or local government issuers to report conduit debt obligations, eliminating the option for issuers to report conduit debt obligations as their own liabilities. We do not expect this standard to significantly impact the City.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HANCOCK**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Property taxes	\$ 1,664,850	\$ 1,669,602	\$ 1,655,147	\$ (14,455)
Licenses & permits	40,000	34,000	46,628	12,628
State sources	616,200	662,300	766,445	104,145
Federal sources	281,000	467,000	100,925	(366,075)
Charges for services	433,500	450,310	482,456	32,146
Interest income	3,050	3,050	1,934	(1,116)
Other revenues	51,400	70,392	84,802	14,410
Total revenues	<u>3,090,000</u>	<u>3,356,654</u>	<u>3,138,337</u>	<u>(218,317)</u>
Expenditures				
Council	23,020	20,925	21,330	(405)
City manager	101,350	96,550	96,716	(166)
Clerk	69,350	54,100	51,113	2,987
Treasurer	75,550	43,000	38,609	4,391
Accounting	36,000	30,000	23,348	6,652
Assessor	36,275	36,275	31,215	5,060
Planning	37,500	192,900	38,529	154,371
Elections	16,800	25,500	24,680	820
Building and grounds	116,490	75,950	70,242	5,708
Cemetery	81,330	75,500	77,229	(1,729)
Public safety	1,120,974	1,115,239	1,121,009	(5,770)
Public works	305,840	295,640	258,737	36,903
Recreation and culture	565,100	432,365	440,840	(8,475)
Sanitation	241,120	270,900	281,872	(10,972)
Debt service	232,200	25,130	233,116	(207,986)
Other	58,300	64,125	65,888	(1,763)
Total expenditures	<u>3,117,199</u>	<u>2,854,099</u>	<u>2,874,473</u>	<u>(20,374)</u>
Excess (deficiency) of revenues over expenditures	(27,199)	502,555	263,864	(238,691)
Other financing sources (uses)				
Proceeds on sale of assets	-	600	602	2
Operating transfers in (out)	(15,000)	(28,037)	(21,800)	6,237
Total other financing sources (uses)	<u>(15,000)</u>	<u>(27,437)</u>	<u>(21,198)</u>	<u>6,239</u>
Net change in fund balances	<u>\$ (42,199)</u>	<u>\$ 475,118</u>	242,666	<u>\$ (232,452)</u>
Fund balances - Beginning of year			<u>1,441,496</u>	
Fund balances - End of year			<u>\$ 1,684,162</u>	



**CITY OF HANCOCK**  
**MAJOR STREET FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
State sources	\$ 998,884	\$ 1,106,721	\$ 1,109,319	\$ 2,598
Federal sources	-	-	185,749	185,749
Interest income	175	450	520	70
Other revenues	-	-	-	-
Total revenues	<u>999,059</u>	<u>1,107,171</u>	<u>1,295,588</u>	<u>188,417</u>
Expenditures				
General administration	18,350	12,710	12,384	326
Highways and streets:				
Construction	234,903	321,262	351,272	(30,010)
State trunkline maintenance	356,556	438,161	414,475	23,686
Routine maintenance	58,380	57,360	55,166	2,194
Traffic services	26,933	24,230	11,306	12,924
Snow and ice control	178,774	227,700	237,268	(9,568)
Sweeping and flushing	3,919	6,250	9,790	(3,540)
Total expenditures	<u>877,815</u>	<u>1,087,673</u>	<u>1,091,661</u>	<u>(3,988)</u>
Excess (deficiency) of revenues over expenditures	<u>121,244</u>	<u>19,498</u>	203,927	<u>184,429</u>
Net change in fund balances	<u>\$ 121,244</u>	<u>\$ 19,498</u>	203,927	<u>\$ 184,429</u>
Fund balances - Beginning of year			<u>347,279</u>	
Fund balances - End of year			<u>\$ 551,206</u>	

**CITY OF HANCOCK**  
**SCHEDULE OF CHANGES IN THE CITY NET**  
**PENSION LIABILITY AND RATIOS**  
**Year Ended June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability								
Service cost	\$ 98,573	\$ 87,681	\$ 87,443	\$ 80,168	\$ 67,495	\$ 60,533	\$ 64,222	\$ 51,865
Interest	382,187	353,025	352,689	333,217	316,010	288,232	259,977	240,815
Changes in benefits	-	(12,188)	-	-	-	-	-	-
Difference between expected and actual experience	38,799	49,442	(103,760)	65,732	36,297	146,857	(1,568)	-
Changes in assumptions	209,237	184,197	169,969	-	-	-	229,010	-
Benefit payments, including refunds	(286,513)	(281,269)	(258,734)	(219,984)	(202,111)	(101,645)	(94,628)	(38,562)
Other changes	-	-	-	-	-	-	-	1
Net change in total pension liability	<u>442,283</u>	<u>380,888</u>	<u>247,607</u>	<u>259,133</u>	<u>217,691</u>	<u>393,977</u>	<u>457,013</u>	<u>254,119</u>
Total pension liability - beginning of year	<u>5,122,752</u>	<u>4,741,864</u>	<u>4,494,257</u>	<u>4,235,124</u>	<u>4,017,433</u>	<u>3,623,456</u>	<u>3,166,443</u>	<u>2,912,324</u>
Total pension liability - end of year	<u>\$ 5,565,035</u>	<u>\$ 5,122,752</u>	<u>\$ 4,741,864</u>	<u>\$ 4,494,257</u>	<u>\$ 4,235,124</u>	<u>\$ 4,017,433</u>	<u>\$ 3,623,456</u>	<u>\$ 3,166,443</u>
Plan fiduciary net position								
Contributions - employer	232,888	189,750	180,521	125,627	103,116	113,009	82,780	73,738
Contributions - employee	39,216	27,108	24,547	22,280	22,597	25,626	22,463	21,525
Net investment income	426,723	397,109	344,908	(105,656)	327,073	255,606	(34,273)	132,353
Administrative expenses	(5,050)	(5,681)	(5,944)	(5,272)	(5,180)	(5,042)	(4,966)	(4,894)
Benefit payments, including refunds	(286,513)	(281,269)	(258,734)	(219,984)	(202,111)	(101,645)	(94,628)	(38,562)
Net change in plan fiduciary net position	<u>407,264</u>	<u>327,017</u>	<u>285,298</u>	<u>(183,005)</u>	<u>245,495</u>	<u>287,554</u>	<u>(28,624)</u>	<u>184,160</u>
Plan fiduciary net position - beginning of year	<u>3,171,884</u>	<u>2,844,867</u>	<u>2,559,569</u>	<u>2,742,574</u>	<u>2,497,079</u>	<u>2,209,525</u>	<u>2,238,149</u>	<u>2,053,989</u>
Plan fiduciary net position - end of year	<u>\$ 3,579,148</u>	<u>\$ 3,171,884</u>	<u>\$ 2,844,867</u>	<u>\$ 2,559,569</u>	<u>\$ 2,742,574</u>	<u>\$ 2,497,079</u>	<u>\$ 2,209,525</u>	<u>\$ 2,238,149</u>
City's net pension liability - ending	<u>\$ 1,985,887</u>	<u>\$ 1,950,868</u>	<u>\$ 1,896,997</u>	<u>\$ 1,934,688</u>	<u>\$ 1,492,550</u>	<u>\$ 1,520,354</u>	<u>\$ 1,413,931</u>	<u>\$ 928,294</u>
Plan fiduciary net position as a percent of total pension	64.31 %	61.92 %	59.99 %	56.95 %	64.76 %	62.16 %	60.98 %	70.68 %
Covered employee payroll	\$ 779,230	\$ 753,920	\$ 784,244	\$ 736,838	\$ 634,354	\$ 618,951	\$ 696,554	\$ 562,531
City's net pension liability as a percent of covered employee	254.85 %	258.76 %	241.89 %	262.57 %	235.29 %	245.63 %	202.99 %	165.02 %

**CITY OF HANCOCK**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Year Ended June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 191,493	\$ 178,961	\$ 162,521	\$ 125,627	\$ 103,116	\$ 113,009	\$ 82,780	\$ 73,738
Contributions in relation to the actuarially determined contributions	<u>232,888</u>	<u>189,750</u>	<u>180,521</u>	<u>125,627</u>	<u>103,116</u>	<u>113,009</u>	<u>82,780</u>	<u>73,738</u>
Contribution deficiency (excess)	<u><u>\$ (41,395)</u></u>	<u><u>\$ (10,789)</u></u>	<u><u>\$ (18,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 779,230	\$ 753,920	\$ 784,244	\$ 736,838	\$ 634,354	\$ 618,951	\$ 696,554	\$ 562,531
Contributions as a percentage of covered- employee payroll	29.89 %	25.17 %	23.02 %	17.05 %	16.26 %	18.26 %	11.88 %	13.11 %

**CITY OF HANCOCK**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2022**

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**NOTE A - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATE**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	5 years smoothed
Inflation	3.0%
Salary increases	3.0%
Investment rate of return	7.00%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male blend of the RP-2014 Group Annuity Mortality Table

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**CITY OF HANCOCK**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2022**

	<u>Local Street</u>	<u>Redevelopment</u>	<u>Park &amp; Recreation Fund</u>	<u>Building Authority</u>	<u>Development</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 201,948	\$ 35,123	\$ 75,158	\$ 1,651	\$ 89,931	\$ -	\$ 403,811
Restricted cash	-	-	-	-	-	185,146	185,146
Due from government units	<u>355,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,777</u>
<b>Total assets</b>	<b><u>\$ 559,810</u></b>	<b><u>\$ 35,123</u></b>	<b><u>\$ 75,158</u></b>	<b><u>\$ 1,651</u></b>	<b><u>\$ 89,931</u></b>	<b><u>\$ 185,146</u></b>	<b><u>\$ 946,819</u></b>
<b>Liabilities</b>							
Accounts payable	\$ 411	\$ -	\$ 74,939	\$ -	\$ -	\$ -	\$ 75,350
Accrued expenses	<u>997</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058</u>
<b>Total liabilities</b>	<b><u>1,408</u></b>	<b><u>-</u></b>	<b><u>75,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>76,408</u></b>
<b>Fund balances</b>							
Restricted	<u>558,402</u>	<u>35,123</u>	<u>158</u>	<u>1,651</u>	<u>89,931</u>	<u>185,146</u>	<u>870,411</u>
<b>Total fund balances</b>	<b><u>558,402</u></b>	<b><u>35,123</u></b>	<b><u>158</u></b>	<b><u>1,651</u></b>	<b><u>89,931</u></b>	<b><u>185,146</u></b>	<b><u>870,411</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 559,810</u></b>	<b><u>\$ 35,123</u></b>	<b><u>\$ 75,158</u></b>	<b><u>\$ 1,651</u></b>	<b><u>\$ 89,931</u></b>	<b><u>\$ 185,146</u></b>	<b><u>\$ 946,819</u></b>

**CITY OF HANCOCK**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2022**

	<u>Local Street</u>	<u>Redevelopment</u>	<u>Park &amp; Recreation Fund</u>	<u>Building Authority</u>	<u>Development</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
Revenues							
Property taxes	\$ 144,733	\$ -	\$ 95,784	\$ -	\$ -	\$ -	\$ 240,517
Interest income	387	-	139	-	-	278	804
Reimbursements	-	-	26,923	-	-	-	26,923
Rentals	-	-	-	128,573	-	-	128,573
Miscellaneous income	-	-	-	-	51,537	-	51,537
Total revenues	<u>407,884</u>	<u>-</u>	<u>142,846</u>	<u>128,573</u>	<u>51,537</u>	<u>278</u>	<u>731,118</u>
Expenditures							
General administration	6,639	376	-	4	-	-	7,019
Recreation and culture	-	-	170,833	-	-	-	170,833
Public works	331,155	-	-	-	-	-	331,155
Debt service	-	-	-	128,573	-	-	128,573
Total expenditures	<u>337,794</u>	<u>376</u>	<u>170,833</u>	<u>128,577</u>	<u>-</u>	<u>-</u>	<u>637,580</u>
Excess (deficiency) of revenues over expenditures	70,090	(376)	(27,987)	(4)	51,537	278	93,538
Fund balances - Beginning of year	<u>488,312</u>	<u>35,499</u>	<u>28,145</u>	<u>1,655</u>	<u>38,394</u>	<u>184,868</u>	<u>776,873</u>
Fund balances - End of year	<u>\$ 558,402</u>	<u>\$ 35,123</u>	<u>\$ 158</u>	<u>\$ 1,651</u>	<u>\$ 89,931</u>	<u>\$ 185,146</u>	<u>\$ 870,411</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING NET POSITION**  
**June 30, 2022**

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 180,273	\$ 265,285	\$ 445,558
Inventories	-	38,026	38,026
Prepaid expenses	-	19,370	19,370
Capital assets - net	-	1,030,466	1,030,466
<b>Total assets</b>	<u>180,273</u>	<u>1,353,147</u>	<u>1,533,420</u>
Deferred outflows of resources - pension	-	14,178	14,178
<b>Liabilities</b>			
Accounts payable	40,656	285,208	325,864
Accrued expenses	3,959	3,507	7,466
Accrued interest payable	-	7,579	7,579
Lease payable, current	-	33,622	33,622
Net pension liability	-	55,175	55,175
Current maturities	-	122,876	122,876
Lease payable	-	146,112	146,112
Notes payable	-	285,402	285,402
<b>Total liabilities</b>	<u>44,615</u>	<u>939,481</u>	<u>984,096</u>
Deferred inflows of resources - pension	-	9,640	9,640
<b>Net position</b>			
Unreserved	135,658	418,204	553,862
<b>Total net position</b>	<u>\$ 135,658</u>	<u>\$ 418,204</u>	<u>\$ 553,862</u>



**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2022**

	Employee Benefits	Motor Vehicle Fund	Total
Operating revenues			
Charges for services	\$ 890,769	\$ 634,427	\$ 1,525,196
Other revenues	-	12,484	12,484
Total operating revenues	<u>890,769</u>	<u>646,911</u>	<u>1,537,680</u>
Operating expenses			
General administration	-	5,945	5,945
Garage maintenance	-	115,003	115,003
Operations and maintenance	-	355,363	355,363
Depreciation	-	113,423	113,423
Benefit payments:			
Payroll taxes	15,100	-	15,100
Retirement plan expense	138,786	-	138,786
Holiday pay	61,163	-	61,163
Sickpay/personal leave	24,985	-	24,985
Vacation pay	110,540	-	110,540
Workers' compensation insurance	110,532	-	110,532
Hospitalization insurance	360,208	-	360,208
Employee life insurance	762	-	762
Longevity pay	89,186	-	89,186
Other	7,331	-	7,331
Total operating expenses	<u>918,593</u>	<u>589,734</u>	<u>1,508,327</u>
Operating income (loss)	<u>(27,824)</u>	<u>57,177</u>	<u>29,353</u>
Non-operating revenues (expenses)			
Gain on sale of assets	-	7,107	7,107
Interest income	32	69	101
Interest expense	-	(15,406)	(15,406)
Federal sources	-	235,819	235,819
Total non-operating revenues (expenses)	<u>32</u>	<u>227,589</u>	<u>227,621</u>
Net income (loss)	<u>(27,792)</u>	<u>284,766</u>	<u>256,974</u>
Net Position- Beginning of year, restated	<u>163,450</u>	<u>133,438</u>	<u>296,888</u>
Net Position - End of year	<u>\$ 135,658</u>	<u>\$ 418,204</u>	<u>\$ 553,862</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOW**  
**Year Ended June 30, 2022**

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 890,769	\$ 646,911	\$ 1,537,680
Payments to suppliers	(795,965)	(115,748)	(911,713)
Payments to employees	(90,591)	(84,669)	(175,260)
Net cash provided by operating activities	<u>4,213</u>	<u>446,494</u>	<u>450,707</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	-	-	-
Cash flows from capital and related financing activities			
Purchases of capital assets	-	(433,075)	(433,075)
Principal paid on capital debt	-	(170,522)	(170,522)
Non-operating grants	-	235,819	235,819
Interest paid on capital debt	-	(15,406)	(15,406)
Loan proceeds	-	158,575	158,575
Proceeds from sale of assets	-	7,107	7,107
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(217,502)</u>	<u>(217,502)</u>
Cash flows from investing activities			
Interest and dividends	32	69	101
Net (decrease) in cash	4,245	229,061	233,306
Balances - beginning of the year	176,028	36,224	212,252
Balances - end of the year	<u>\$ 180,273</u>	<u>\$ 265,285</u>	<u>\$ 445,558</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (27,824)	\$ 57,177	\$ 29,353
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	113,423	113,423
Change in assets and liabilities:			
Deferred outflows and inflows	-	805	805
Inventory	-	(4,393)	(4,393)
Prepaid expenses	-	(1,835)	(1,835)
Net pension liability	-	649	649
Accounts and other payables	34,409	276,897	311,306
Accrued expenses	(2,372)	3,771	1,399
Net cash provided by operating activities	<u>\$ 4,213</u>	<u>\$ 446,494</u>	<u>\$ 450,707</u>

**CITY OF HANCOCK**  
**TRANSIT FUND SUPPLEMENTAL INFORMATION**  
**June 30, 2022**

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING REVENUE**  
**Year Ended June 30, 2022**

	07/01/21 through 09/30/21	10/01/21 through 06/30/22	Total
Farebox receipts - passenger fares*	\$ 9,284	\$ 38,864	\$ 48,148
State Operating Assistance*	21,001	90,212	111,213
Federal Section 5311**	20,142	-	20,142
Federal RTAP	-	-	-
Local Operating Assistance**	-	25,000	25,000
Cares act***	-	99,336	99,336
Gains from sale of capital assets	-	-	-
Refunds and credits	-	3,270	3,270
Interest Income****	-	24	24
<b>Total Operating Revenue</b>	<b>\$ 50,427</b>	<b>\$ 256,706</b>	<b>\$ 307,133</b>

	10/01/20 through 06/30/21	07/01/21 through 09/30/21	Total
Farebox receipts - passenger fares*	\$ 27,780	\$ 9,284	\$ 37,064
State Operating Assistance**	81,688	21,001	102,689
Federal Section 5311***	29,642	20,142	49,784
Federal RTAP	-	-	-
Local Operating Assistance	89,270	-	89,270
Cares act	49,677	-	49,677
Gains from sale of capital assets	804	-	804
Refunds and credits****	-	-	-
Interest Income*****	10	-	10
<b>Total Operating Revenue</b>	<b>\$ 278,871</b>	<b>\$ 50,427</b>	<b>\$ 329,298</b>

\* Farebox Receipts are \$350 lower than what's reported on page 23 due to a receivable included on page 23 and not on the quarterly reports.

\*\* State Operating Assistance above, is \$10,319 higher than what's reported on page 23 because the amount received and included on page 23 is based on what was actually received. However, the amount that's reported on the quarterly reports above, is based on the original budget and is later adjusted based on actual eligible expenses at the end of the fiscal year.

\*\*\* Federal section 5311 revenue and Cares Act revenue above, is \$10,136 higher than what's reported on page 23 as federal revenue because the amount received and included on page 23 is based on what was actually received. However, the amount that's reported on the quarterly reports above, is based on the original budget and is later adjusted based on actual eligible expenses at the end of the fiscal year.

\*\*\*\* Refunds and credits are part of other revenues on page 23. The amount on page 23 includes an auto insurance refund of \$760 which was not reported on the quarterly reports.

\*\*\*\*\* Interest revenue is lower than what's reported on page 23 because interest in the amount of \$24 was allocated to the transit fund after the filing of the quarterly reports.

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**Year Ended June 30, 2022**

	7/1/2021 to <u>9/30/2021</u>	10/1/2021 to <u>6/30/2022</u>	<u>Total</u>
Labor:			
Wages - operations	\$ 14,252	\$ 84,295	\$ 98,547
Other salaries and wages	9,448	40,949	50,397
Dispatchers wages	4,386	9,439	13,825
Fringe benefits	14,771	50,773	65,544
Pension DC	1,940	9,426	11,366
Services:			
Advertising	-	403	403
Audit costs	-	-	-
Other	907	17,318	18,225
Materials and supplies:			
Fuel and lubricants	7,191	29,427	36,618
Tires and tubes	42	2,060	2,102
Major Supplies	1,786	4,742	6,528
Other	-	-	-
Utilities	1,228	8,144	9,372
Insurance	-	297	297
Operating lease and rentals	-	-	-
Miscellaneous expense:			
Printing and publishing	-	-	-
Dues & Subscriptions	-	700	700
RTAP	-	-	-
Other	-	-	-
Depreciation	-	-	-
	<u>55,951</u>	<u>257,973</u>	<u>313,924</u>
Less:			
Ineligible expenses - dues	-	117	117
Ineligible expenses - refunds	-	3,270	3,270
Ineligible expenses - pension	-	-	-
Ineligible expenses - RTAP	-	-	-
Depreciation	-	-	-
	<u>\$ 55,951</u>	<u>\$ 254,586</u>	<u>\$ 310,537</u>

Total expenses in the amount of \$313,924 are less than total operating expenses on page 24 by \$88,944. Of this amount, adjustments were made to the general ledger after the filing of the quarterly OAR reports. The adjustments included \$899 in fringe benefits and \$61 in utilities. The fringe benefit adjustment will be reflected in the OAR reconciliation report. The utility difference will not be reflected in the reconciliation report, due to a timing difference. The remaining difference is due to depreciation expense of \$84,234 and GASB 68 expense of \$4,683 recorded in general ledger and not reported in the quarterly OAR reports above.

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**Reporting period October 1, 2020 through September 30, 2021**

	10/1/2020 to <u>6/30/2021</u>	07/01/2021 to <u>09/30/2021</u>	<u>Total</u>
Labor:			
Wages - operations	\$ 70,293	\$ 14,252	\$ 84,545
Other salaries and wages	32,115	9,448	41,563
Dispatchers wages	16,783	4,386	21,169
Fringe benefits	53,761	14,771	68,532
Pension DC	7,762	1,940	9,702
Services:			
Advertising	-	-	-
Audit costs	3,900	-	3,900
Other	4,527	907	5,434
Materials and supplies:			
Fuel and lubricants	17,168	7,191	24,359
Tires and tubes	98	42	140
Major Supplies	1,244	1,786	3,030
Other	2,888	-	2,888
Utilities	6,425	1,228	7,653
Insurance	2,173	-	2,173
Operating lease and rentals	-	-	-
Miscellaneous expense:			
Printing and publishing	101	-	101
Dues & Subscriptions	1,050	-	1,050
RTAP	-	-	-
Other	174	-	174
Depreciation	<u>20,830</u>	<u>-</u>	<u>20,830</u>
	241,292	55,951	297,243
Less:			
Ineligible expenses - dues	129	-	129
Ineligible expenses - refunds	-	-	-
Ineligible expenses - pension	-	-	-
Ineligible expenses - RTAP	1,530	-	1,530
Depreciation	<u>20,830</u>	<u>-</u>	<u>20,830</u>
	<u>\$ 218,803</u>	<u>\$ 55,951</u>	<u>\$ 274,754</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANT**  
**Year Ended June 30, 2022**

<u>NON URBAN AREAS</u>	<u>07/01/21 through 09/30/21</u>	<u>10/01/21 through 06/30/22</u>	<u>Total</u>
<b>STATE OF MICHIGAN</b>			
Total Eligible Expenses	\$ 55,951	\$ 254,586	<u>\$ 310,537</u>
Reimbursement Rate %	<u>42.0118 %</u>	<u>34.9854 %</u>	
Eligible operating assistance*	<u>\$ 23,506</u>	<u>\$ 89,068</u>	<u>\$ 112,574</u>
<b>FEDERAL SECTION 5311</b>			
Total Eligible Expenses	\$ 55,951	\$ 254,586	<u>\$ 310,537</u>
Reimbursement Rate %	<u>18.0000 %</u>	<u>18.0000 %</u>	
Eligible operating assistance	<u>\$ 10,071</u>	<u>\$ 45,825</u>	<u>\$ 55,896</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**MILEAGE DATA REPORT (UNAUDITED)**  
**Year Ended June 30, 2022**

<u>Quarter Ending</u>	<u>Miles</u>
September 30, 2021	12,848
December 31, 2021	14,865
March 31, 2022	17,802
June 30, 2022	<u>17,802</u>
Total Miles	<u><u>63,317</u></u>



**CITY OF HANCOCK**  
**EXPENDITURES OF STATE AND FEDERAL AWARDS - TRANSIT**  
**Year Ended June 30, 2022**

FEDERAL GRANTOR/PASS THROUGH/PROGRAM TITLE	CFDA #	Award/ Project #	Current Year Expenditures				Prior year Expenditures	Award Amount Remaining
			Total	Federal	State	Local		
US DEPARTMENT OF TRANSPORTATION								
State and Federal Operating Assistance Computations based on operating expenses:								
Pass-through Michigan Department of Transportation								
Federal Transit Administration - Operating Assistance Section 5311	20.205	2022-0062	\$ 109,342	\$ 109,342	\$ -	\$ -	\$ -	\$ -
MICHIGAN DEPARTMENT OF TRANSPORTATION								
Operating Assistance - Act 51 - Nonurban	N/A	N/A	100,894	-	100,894	-	-	-
TOTAL			<u>\$ 210,236</u>	<u>\$ 109,342</u>	<u>\$ 100,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COMMUNICATIONS SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

310 Sheldon Avenue, Houghton, Michigan 49931  
906.482.6601 906.482.9046 fax www.rukkilanegro.com

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hancock for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 19, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Hancock are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the City of Hancock during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout:

- We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets:

- We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability:

- We evaluated the key factors and assumptions used to develop the liabilities related to the Municipal Employees' Retirement System, which are based on actuarial valuations.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 20, 2022.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to the budgetary comparison schedules and pension requirements which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on RSI.

We were engaged to report on the supplemental financial information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

*Rukkila, Negro & Associates,  
Certified Public Accountants, PC*

December 20, 2022

**CITY OF HANCOCK  
COMMENTS AND RECOMMENDATIONS - June 30, 2022**

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In planning and performing our audit of the financial statements of City of Hancock as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

**ADDITIONAL COMMENTS AND RECOMMENDATIONS**

During our audit we became aware of a non-compliance issue. The following item summarizes our comment and suggestion regarding this matter.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various 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 recommendation.

*Budget Review*

Michigan Public Act 2 of 1968 prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report on pages 56 and 57 there were several instances of spending amounts greater than budgeted.

We recommend that the City carefully review its actual revenues and expenditures to budgeted amounts at least quarterly. Amendments to the budget should be made after reviewing all financial information, if required or necessary.