

**CITY OF HANCOCK
HOUGHTON COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
SUPPLEMENTAL INFORMATION
(with required supplementary and additional information)**

June 30, 2010



CITY OF HANCOCK

JUNE 30, 2010

ADMINISTRATION

City Manager Glenn Anderson
Clerk/Treasurer Karen Haischer

BOARD MEMBERS

Mayor William Laitila
Mayor Pro Tem Richard Freeman
Ward III John Slivon
At Large Lisa McKenzie
At Large Thomas Gemignani
At Large James Hainault
At Large Ted Belej

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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 as of and for the year then ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2010 on our consideration of the City of Hancock's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 16 and 51 through 53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hancock's financial statements as a whole. The additional information on pages 55 to 92 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Hancock. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

December 28, 2010

**City of Hancock
Management's Discussion and Analysis
June 30, 2010**

This section of the 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, 2010. 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 follow this section.

Financial Highlights

- The assets of the City of Hancock exceeded its liabilities at year end by \$4,881,367 (net assets). Of this amount, \$783,437 (unreserved net assets) may be used to meet the government's ongoing obligations.
- The City of Hancock's total net assets increased by \$95,061. This was the result of a decrease in net assets of governmental activities of \$35,953 along with an increase in the assets of business-type activities of \$131,014.
- The City of Hancock had charges for services of \$1,615,473 in governmental activities and \$1,695,945 for business-type activities and expenses totaling \$6,611,727 during the year ended June 30, 2010.
- At the close of the fiscal year, the City of Hancock's governmental activities funds reported a combined ending net assets balance of \$2,543,870. This is a decrease of \$35,953.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,034 or about .6 percent of total general fund expenditures, general fund operating transfers to other funds were \$92,092 in 2010 compared to \$350,367 in the prior year, a decrease of \$258,275.
- The City of Hancock expended \$919,068 in federal awards requiring the City to undergo a Single Audit. The schedule of federal expenditure awards is located on page 98. A majority of the federal expenditures was related to the construction of the transit facility and transit bus purchase.
- During the fiscal year the City was able to eliminate a deficit totaling \$54,322 that was reported in the prior year for the Major Street Fund.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- ▶ Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- ▶ The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the City is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

Overview of the Financial Statements - Continued

The City's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the City's net assets is one way to determine if the financial position of the City is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the City.

There are two kinds of activities in the Statement of Net Assets and the Statement of Activities:

Governmental Activities - Most of the City's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the City of Hancock the General Fund, Major Street Fund, and CDBG Fund, meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

Business-Type Activities - Business-type activities represent those activities for which the City charges fees to customers to cover the cost of services. The City's Sewer, Water, Transit and Parking Meter Funds are business-type funds. Of these funds the Sewer, Water, and Transit Funds were major funds.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the City's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information.
- Other supplementary information provides detailed information about the General Fund, Special Revenue Funds, and Proprietary Funds.

Governmental Funds - The City's basic services are mainly reported in this type of fund, which concentrates on how money goes into and out of those funds and the balances left at year end that are available for spending. Modified accrual accounting is the reporting method used for these funds. These statements provide a short-term view of the City's general governmental operations and the basic services it provides in detail. Information in these statements help determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs.

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but not as governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources.

Overview of the Financial Statements - Continued

In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and depreciation is not recorded. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Proprietary Funds - Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The City uses enterprise funds for transit, parking meter, water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. Sewer and Water funds qualify as major funds.

Internal service funds provide services to other City activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle and equipment maintenance. The Employee Benefit Fund and the Motor Vehicle Fund are the only internal service funds.

Component Units - The City has one discretely presented component included in this report, the Downtown Development Authority (DDA). Although legally separate, this component unit is important because the City is financially accountable for the DDA. This component unit is shown in a separate column. The City also has a blended component unit, the City of Hancock Building Authority. The Authority is reported as if it were part of the City's operations because its primary purpose is that of a financing vehicle for the construction of City facilities. Further information on the component units are found in Note A of the financial statements.

Summary of Net Assets

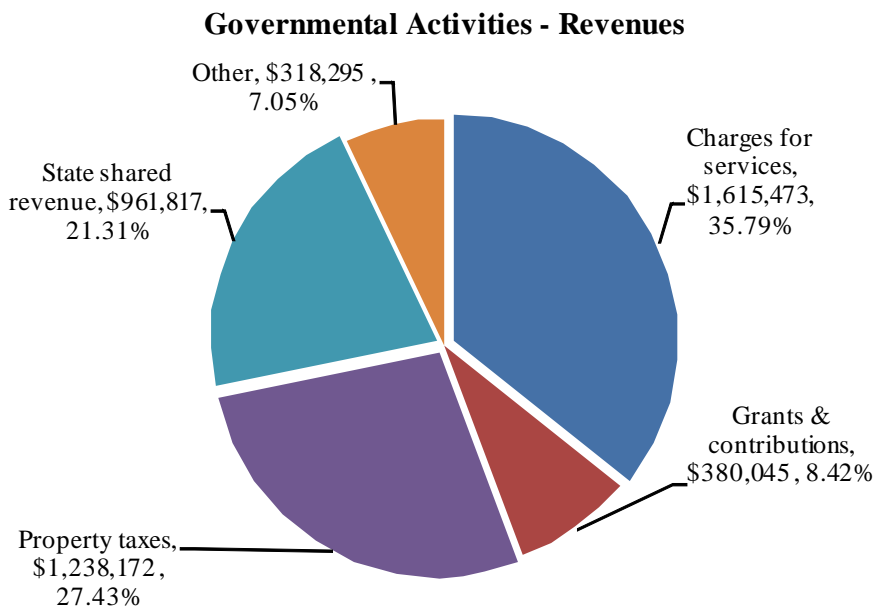
	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Assets				
Current and other assets	\$ 1,652,872	\$ 1,559,529	\$ 652,650	\$ 402,443
Capital assets- Net of accumulated	4,299,014	4,274,262	7,111,183	6,833,285
Total Assets	<u>\$ 5,951,886</u>	<u>\$ 5,833,791</u>	<u>\$ 7,763,833</u>	<u>\$ 7,235,728</u>
Liabilities				
Current liabilities	\$ 399,915	\$ 278,209	\$ 446,774	\$ 144,779
Long-term liabilities	3,008,101	2,975,759	4,979,562	4,884,466
Total Liabilities	<u>3,408,016</u>	<u>3,253,968</u>	<u>5,426,336</u>	<u>5,029,245</u>
Net Assets				
Invested in property and equipment - net of	1,457,994	1,484,445	2,017,621	1,825,819
Reserved	255,452	71,183	366,863	441,533
Unrestricted	830,424	1,024,195	(46,987)	(60,869)
Total Net Assets	<u>2,543,870</u>	<u>2,579,823</u>	<u>2,337,497</u>	<u>2,206,483</u>
Total Liabilities and Net Assets	<u>\$ 5,951,886</u>	<u>\$ 5,833,791</u>	<u>\$ 7,763,833</u>	<u>\$ 7,235,728</u>

**City of Hancock
Management's Discussion and Analysis
June 30, 2010**

Results of Operations

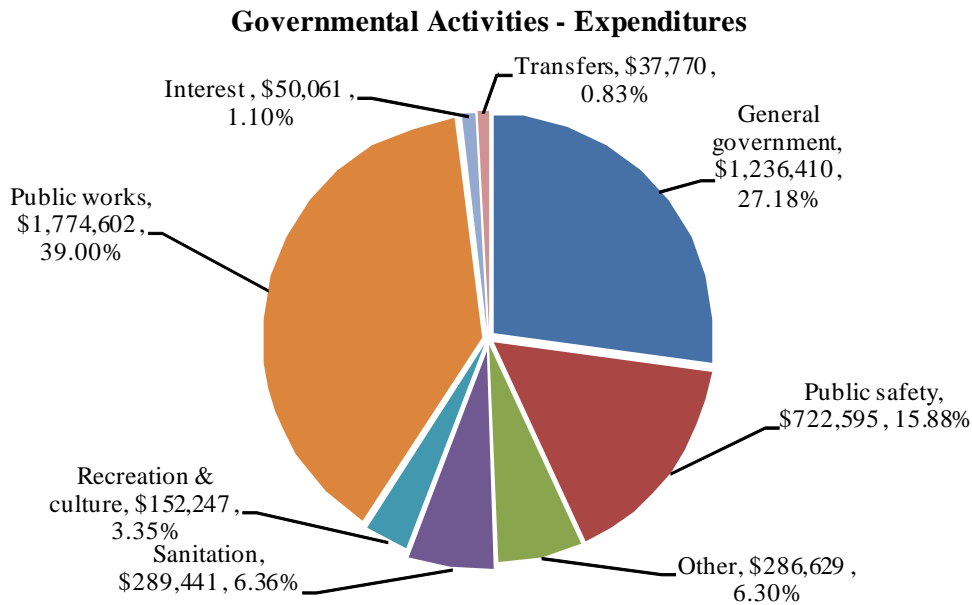
	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
<u>Revenues</u>				
Program Revenue:				
Charges for services	\$ 1,615,473	\$ 1,824,783	\$ 1,695,945	\$ 1,510,735
Grants and contributions	367,872	189,155	466,227	120,357
Capital grants and contributions	12,173	0	0	0
General Revenue:				
Property taxes	1,238,172	1,180,434	0	0
State shared revenue	961,817	1,164,267	0	0
Other	318,295	484,992	30,814	28,468
Transfers	0	0	37,770	36,000
Total Revenue	4,513,802	4,843,631	2,230,756	1,695,560
<u>Functions/Program Expenses</u>				
General government	1,236,410	1,510,341	0	0
Public safety	722,595	678,744	0	0
Public works	1,774,602	1,917,166	2,099,742	1,859,362
Sanitation	289,441	311,582	0	0
Recreation and culture	152,247	139,916	0	0
Interest on long-term debt	50,061	50,358	0	0
Other	286,629	134,514	0	0
Transfers	37,770	36,000	0	0
Total Expenses	4,549,755	4,778,621	2,099,742	1,859,362
Change in Net Assets	(35,953)	65,010	131,014	(163,802)
Net Assets - Beginning	2,579,823	2,514,813	2,206,483	2,370,285
Net Assets - Ending	\$ 2,543,870	\$ 2,579,823	\$ 2,337,497	\$ 2,206,483

The following two charts highlight the City's governmental activities by revenues and expenses.

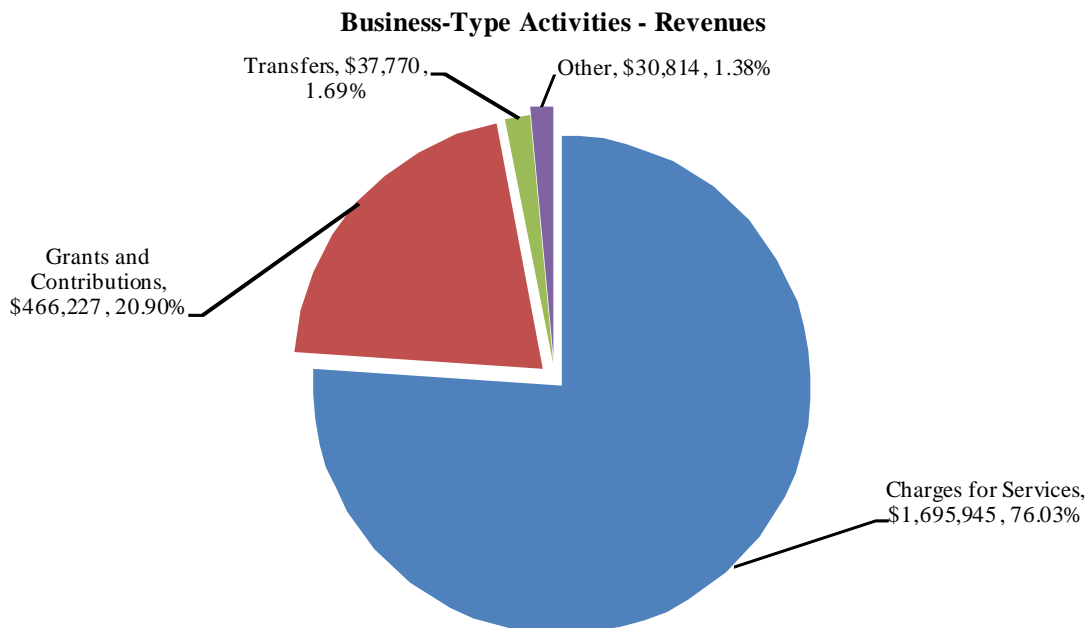


The most significant portions of the revenues for all governmental activities of the City comes from property taxes. The City's operating millage was 14.2764. Charges for services include revenue from internal service funds for employee benefits and the use of the motor vehicles, as well as garbage collection revenue and campground revenue. State revenue represents state shared revenue and funds for the Major and Local Street Funds from the Michigan Transportation Fund.

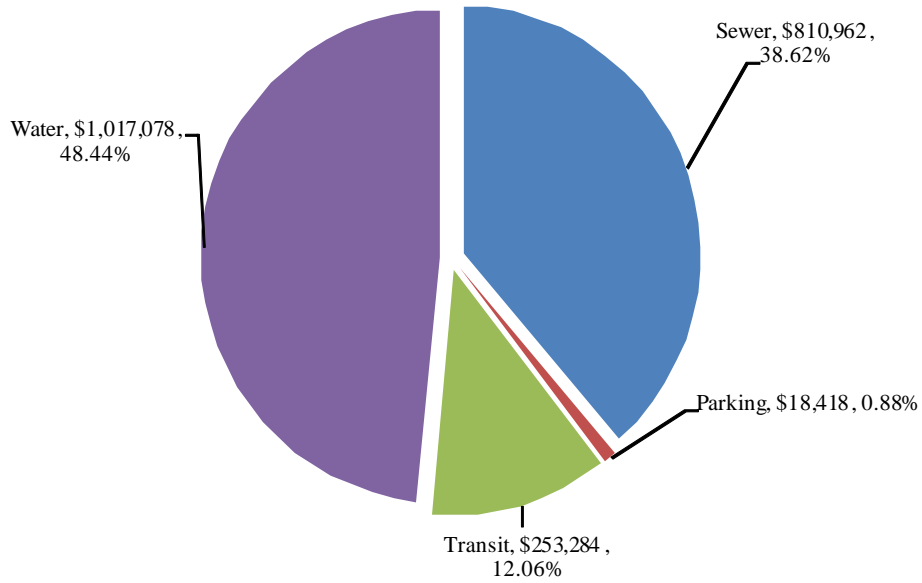
The general area expenses represent City hall activities. The major, local and motor vehicle expenses are included in the public works area. Police and fire expenses are included in public safety.



The following two charts highlight the City's business-type activities by revenues and expenses.



Business-Type Activities - Expenditures



Significant Transactions and Changes in Individual Funds

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

GENERAL FUND	Current Year	Prior Year	Change
Revenues/Transfers	\$ 2,100,045	\$ 2,578,391	\$ (478,346)
Expenditures/Transfers	\$ 2,112,505	\$ 2,814,571	\$ (702,066)
Fund Balance	\$ 83,010	\$ 95,470	\$ (12,460)

The General Fund saw a decrease in revenues and expenditures of \$478,346 and \$702,066, respectfully. The decrease in revenue is due to the combination of limited growth in local taxes and reduced state revenue. The decrease in expenditures is due to the combination of decreases in general government administration, public works, sanitation, and other areas.

SPECIAL REVENUE FUNDS	Current Year	Prior Year	Change
Major Street Fund:			
Revenues/Transfers	\$ 578,433	\$ 555,347	\$ 23,086
Expenditures/Transfers	\$ 523,733	\$ 570,313	\$ (46,580)
Fund Balance (Deficit)	\$ 378	\$ (54,322)	\$ 54,700
Local Street Fund:			
Revenues/Transfers	\$ 234,718	\$ 450,833	\$ (216,115)
Expenditures/Transfers	\$ 234,522	\$ 319,185	\$ (84,663)
Fund Balance (Deficit)	\$ 196	\$ 0	\$ 196
CDBG Fund:			
Revenues/Transfers	\$ 295,096	\$ 319,762	\$ (24,666)
Expenditures/Transfers	\$ 278,189	\$ 258,552	\$ 19,637
Fund Balance	\$ 181,144	\$ 164,237	\$ 16,907
Elevation Street TIF Fund:			
Revenues/Transfers	\$ 27,936	\$ 27,971	\$ (35)
Expenditures/Transfers	\$ 0	\$ 0	\$ 0
Fund Balance	\$ 172,031	\$ 144,095	\$ 27,936

**City of Hancock
Management's Discussion and Analysis
June 30, 2010**

Significant Transactions and Changes in Individual Funds (Continued)

Major Street Fund - The increase in revenues/transfers of \$23,086 are from the combination of a grant received in current year and a decrease in state revenues. Expenses/transfers decreased by \$46,580 due to a combination of increased construction costs and decreased road maintenance and snow and ice control.

Local Street Fund - The decrease in revenues/transfers are primarily from decreases in transfers. The decrease in expenses are from a reduction in construction and routine maintenance costs.

CDBG Fund - The CDBG fund had a decrease in revenues due to less grant proceeds in the current year. The increase in expenditures is due to additional expenses related to grant proceeds.

ENTERPRISE FUNDS	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Parking Meter Fund			
Revenues/Transfers	\$ 14,932	\$ 18,110	\$ (3,178)
Expenditures/Transfers	\$ 18,418	\$ 21,409	\$ (2,991)
Retained Earnings	\$ (6,274)	\$ (2,788)	\$ (3,486)
Transit Fund			
Revenues/Transfers	\$ 551,992	\$ 202,878	\$ 349,114
Expenditures/Transfers	\$ 253,284	\$ 183,752	\$ 69,532
Retained Earnings	\$ 494,654	\$ 195,946	\$ 298,708
Sewer Fund			
Revenues/Transfers	\$ 709,168	\$ 599,619	\$ 109,549
Expenditures/Transfers	\$ 810,962	\$ 754,964	\$ 55,998
Retained Earnings	\$ 1,040,590	\$ 1,142,384	\$ (101,794)
Water Fund			
Revenues/Transfers	\$ 954,664	\$ 874,953	\$ 79,711
Expenditures/Transfers	\$ 1,017,078	\$ 899,237	\$ 117,841
Retained Earnings	\$ 808,527	\$ 870,941	\$ (62,414)

Parking Meter Fund - The Parking Meter Fund showed a decrease in revenues and transfers due to a decrease in charges for services. Expenses decreased due to a decrease in general administration costs.

Transit Fund - The Transit Fund had an increase in revenues due to state and federal grants. Expenditures showed an increase due to an increase in operations and maintenance and depreciation.

Sewer Fund - The Sewer Fund's revenues/transfers increased due to an increase in charges for services. Expenditures increased due to increases in purchased services and operations and maintenance.

Water Fund - The Water Funds revenues increased due to an increase in charges for services. The increase in expenditures is from an increase in depreciation resulting from the new water system.

DEBT SERVICE (BUILDING AUTHORITY)	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 137,945	\$ 130,256	\$ 7,689
Expenditures/Transfers	\$ 137,930	\$ 130,806	\$ 7,124
Fund Balance	\$ 1,283	\$ 1,268	\$ 15

**City of Hancock
Management's Discussion and Analysis
June 30, 2010**

Significant Transactions and Changes in Individual Funds (Continued)

RESIDENTIAL CAPITAL PROJECTS			
	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 16,218	\$ 93,144	\$ (76,926)
Expenditures/Transfers	\$ 11,641	\$ 2,194	\$ 9,447
Fund Balance (deficit)	\$ 19,856	\$ 15,279	\$ 4,577

Decrease in revenues is due to transfers in prior year. The increase in expenditures is due to an increase in construction costs.

INTERNAL SERVICE FUNDS

Employee Benefits Fund - Revenue increased due to additional charges to other city funds. Expenses increased due to a decrease in payroll taxes, retirement plan expense, holiday pay, vacation pay, health insurance and longevity.

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 930,651	\$ 890,230	\$ 40,421
Expenditures/Transfers	\$ 880,988	\$ 894,857	\$ (13,869)
Fund Balance	\$ 115,583	\$ 65,920	\$ 49,663

Motor Vehicle Fund - In prior years the Motor Vehicle Fund of the City has been charging equipment rental rates for all activities at State determined and accepted rates. City management determined that the State rental fees were not reasonable rates for City internal fund services. City management estimates that seventy percent (70%) of the State equipment rental rate is reasonable for City activity. In 2010 the City council took action to reduce rates for interfund activity. This resulted in a significant decrease to Motor Vehicle Fund revenue for the year end June 30, 2010 and accordingly decreased equipment rental expenses in the General Fund, Major Street Fund and Local Street Fund.

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 391,872	\$ 656,274	\$ (264,402)
Expenditures/Transfers	\$ 511,722	\$ 521,359	\$ (9,637)
Fund Balance	\$ 703,340	\$ 823,190	\$ (119,850)

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 unreserved fund balances of \$830,424.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12,034. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents about .6% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$12,460 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. Fund equity at the end of the year amounted to \$2,337,497. Of this amount (\$46,987) is unrestricted.

Capital Assets and Debt Administration

The City's net investment in capital assets for the governmental and business-type activities as of June 30, 2010, amounts to \$11,410,197. Capital asset additions totaling \$1,035,276 includes transit building construction, transit bus, property, paving, security system, snow blower, and water system improvements.

Additional information on the City's capital assets can be found starting on page 35 of this report.

Long-term debt: At the end of the current fiscal year, the City had total debt of \$7,934,578. This total amount is backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found starting on page 38 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 Manager at 399 Quincy Street, Hancock, Michigan 49930 or call (906) 482-1121.

CITY OF HANCOCK
STATEMENT OF NET ASSETS

June 30, 2010

ASSETS:	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
CURRENT ASSETS:				
Cash	\$ 504,138	\$ 73,440	\$ 577,578	\$ 150,911
Restricted cash	255,452	194,126	449,578	-
Investments	81,704	3,388	85,092	-
Restricted investments	-	172,737	172,737	-
Receivables	149,804	145,709	295,513	18,500
Inventories	60,791	92,245	153,036	-
Prepaid expenses	91,850	2,401	94,251	-
Due from fiduciary funds	670	-	670	-
Internal balances	314,356	(314,356)	-	-
Due from other governmental units	194,107	282,960	477,067	-
TOTAL CURRENT ASSETS	<u>1,652,872</u>	<u>652,650</u>	<u>2,305,522</u>	<u>169,411</u>
NONCURRENT ASSETS:				
Non-depreciable capital assets	435,670	-	435,670	114,288
Depreciable capital assets-Net	3,863,344	7,111,183	10,974,527	-
TOTAL NONCURRENT ASSETS	<u>4,299,014</u>	<u>7,111,183</u>	<u>11,410,197</u>	<u>114,288</u>
TOTAL ASSETS	<u>\$ 5,951,886</u>	<u>\$ 7,763,833</u>	<u>\$ 13,715,719</u>	<u>\$ 283,699</u>
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 191,543	\$ 314,358	\$ 505,901	\$ 3,360
Due to other governmental units	-	18,416	18,416	-
Bonds payable, current maturities	97,244	114,000	211,244	-
Note payable, current maturities	111,128	-	111,128	-
TOTAL CURRENT LIABILITIES	<u>399,915</u>	<u>446,774</u>	<u>846,689</u>	<u>3,360</u>
NONCURRENT LIABILITIES:				
Bonds payable, less current maturities	2,295,756	4,979,562	7,275,318	-
Note payable, less current maturities	336,892	-	336,892	-
Compensated absences	375,453	-	375,453	-
TOTAL NONCURRENT LIABILITIES	<u>3,008,101</u>	<u>4,979,562</u>	<u>7,987,663</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,408,016</u>	<u>5,426,336</u>	<u>8,834,352</u>	<u>3,360</u>
NET ASSETS:				
Invested in capital assets, net of related debt	1,457,994	2,017,621	3,475,615	-
Reserved	255,452	366,863	622,315	-
Unreserved	830,424	(46,987)	783,437	280,339
TOTAL NET ASSETS	<u>2,543,870</u>	<u>2,337,497</u>	<u>4,881,367</u>	<u>280,339</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,951,886</u>	<u>\$ 7,763,833</u>	<u>\$ 13,715,719</u>	<u>\$ 283,699</u>

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

CITY OF HANCOCK
STATEMENT OF ACTIVITIES
June 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenues and Changes in Net Assets			Component Unit (DDA)
	Expenses	Charges for Services	Grants and Contributions Operating	Capital	Governmental	Primary Government Business-Type	Total	
Primary government:								
Government activities:								
General government	\$ 1,236,410	\$ 898,204	\$ -	\$ 129,000	\$ (209,206)	\$ -	\$ (209,206)	\$ -
Public safety	722,595	1,112	-	12,173	(709,310)	-	(709,310)	-
Public works	1,774,602	351,777	-	238,872	(1,183,953)	-	(1,183,953)	-
Sanitation	289,441	171,836	-	-	(117,605)	-	(117,605)	-
Recreation and culture	152,247	76,013	-	-	(76,234)	-	(76,234)	-
Interest on long-term debt	50,061	-	-	-	(50,061)	-	(50,061)	-
Other	286,629	116,531	-	-	(170,098)	-	(170,098)	-
Total governmental activities	4,511,985	1,615,473	-	380,045	(2,516,467)	-	2,516,467	-
Business-type activities:								
Water	1,017,078	941,128	-	-	-	(75,950)	(75,950)	-
Sewer	810,962	707,816	-	-	-	(103,146)	(103,146)	-
Parking Meter	18,418	8,967	-	-	-	(9,451)	(9,451)	-
Transit	253,284	38,034	167,606	298,621	-	250,977	250,977	-
Total business-type activities	2,099,742	1,695,945	167,606	298,621	-	(62,430)	(62,430)	-
Total primary government	\$ 6,611,727	\$ 3,311,418	\$ 167,606	\$ 678,666	(2,516,467)	62,430	(2,454,037)	-
Component Unit (DDA)	\$ 106,563	\$ -	\$ -	\$ -	-	-	-	(106,563)
General Revenues:								
Property taxes, levied for general operations					1,238,172	-	1,238,172	127,630
State shared revenue					961,817	-	961,817	-
Interest and investment earnings					9,571	3,743	13,314	772
Transfers					(37,770)	37,770	-	-
Gain on sale of assets					17,248	-	17,248	-
Other					291,476	27,071	318,547	900
Total general revenues, transfers, and special items					2,480,514	68,584	2,549,098	129,302
Change in Net Assets					(35,953)	131,014	95,061	22,739
Net Assets - Beginning					2,579,823	2,206,483	4,786,306	257,600
Net Assets - Ending					\$ 2,543,870	\$ 2,337,497	\$ 4,881,367	\$ 280,339

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

CITY OF HANCOCK
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	Major Governmental Funds			Other	Total Governmental Funds
	General Fund	Major Street Fund	CDBG Fund	Non-major Governmental Funds	
ASSETS:					
Cash and cash equivalents	\$ 162,343	\$ 64,072	\$ -	\$ 204,812	\$ 431,227
Restricted cash	70,976	-	181,144	1,283	253,403
Investments	81,704	-	-	-	81,704
Taxes receivable	84,779	-	-	38,317	123,096
Accounts receivable	25,566	-	-	-	25,566
Due from other funds	-	-	-	191,884	191,884
Due from fiduciary funds	670	-	-	-	670
Due from governmental units	78,055	34,337	66,264	15,451	194,107
Inventory	21,856	-	-	-	21,856
Prepaid expenses	30,540	-	-	-	30,540
TOTAL ASSETS	\$ 556,489	\$ 98,409	\$ 247,408	\$ 451,747	\$ 1,354,053
LIABILITIES:					
Accounts payable	\$ 37,913	\$ 7,705	\$ 66,264	\$ 183	\$ 112,065
Accrued expenses	23,951	779	-	990	25,720
Due to other funds	411,615	89,547	-	257,208	758,370
TOTAL LIABILITIES	473,479	98,031	66,264	258,381	896,155
FUND BALANCES:					
Reserved	70,976	-	181,144	1,283	253,403
Unreserved	12,034	378	-	192,083	204,495
	<u>83,010</u>	<u>378</u>	<u>181,144</u>	<u>193,366</u>	<u>457,898</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 556,489	\$ 98,409	\$ 247,408	\$ 451,747	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,888,545
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 assets.	818,923
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,621,496)</u>
Net assets of governmental activities	<u>\$ 2,543,870</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 2010

	Major Governmental Funds			Other	Total
	General	Major Street	CDBG	Non-major Governmental Funds	Governmental Funds
Revenues:					
Taxes	\$ 1,124,846	\$ -	\$ -	\$ 113,326	\$ 1,238,172
State revenue	412,081	402,592	-	147,144	961,817
Federal revenue	12,173	90,000	238,872	-	341,045
Charges for services	365,030	-	-	153,940	518,970
Interest	14,098	1,761	-	2,407	18,266
Other revenue	34,329	29,758	56,224	-	120,311
Total revenues	1,962,557	524,111	295,096	416,817	3,198,581
Expenditures:					
General government	379,442	28,737	64	6,574	414,817
Public safety	722,595	-	-	-	722,595
Public works	211,709	494,996	278,125	239,589	1,224,419
Sanitation	289,441	-	-	-	289,441
Recreation and culture	152,247	-	-	-	152,247
Capital outlay	135,000	-	-	-	135,000
Debt service	50,061	-	-	-	50,061
Other	79,918	-	-	137,930	217,848
Total expenditures	2,020,413	523,733	278,189	384,093	3,206,428
Excess (deficiency) of revenue over expenditures	(57,856)	378	16,907	32,724	(7,847)
Other Financing Sources (Uses)					
Loan Proceeds	137,488	-	-	-	137,488
Operating transfers in	-	54,322	-	-	54,322
Operating transfers out	(92,092)	-	-	-	(92,092)
Total other financing sources (uses)	45,396	54,322	-	-	99,718
Net change in fund balance	(12,460)	54,700	16,907	32,724	91,871
Fund Balances - Beginning of Year	95,470	(54,322)	164,237	160,642	
Fund Balances - End of Year	\$ 83,010	\$ 378	\$ 181,144	\$ 193,366	

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.

This amount represents depreciation. 11,479

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. (61,790)

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. (7,326)

Internal service fund is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities. (70,187)

Change in net assets of governmental activities \$ (35,953)

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

CITY OF HANCOCK
PROPRIETARY FUNDS
BALANCE SHEET
Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds				Governmental Activities	
	Major Funds			Non-major Fund	Total	Internal Service Funds
	Sewer	Water	Transit	Parking		
				Meter		
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 15,959	\$ 43,736	\$ 11,469	\$ 2,276	\$ 73,440	\$ 72,911
Restricted cash	13,648	180,478	-	-	194,126	2,049
Investments	3,388	-	-	-	3,388	-
Restricted investments	69,569	103,168	-	-	172,737	-
Accounts receivable	58,844	86,745	40	80	145,709	1,142
Inventory	34,108	58,137	-	-	92,245	38,935
Due from other funds	-	-	-	-	-	880,842
Due from other governmental units	-	-	282,960	-	282,960	-
Prepaid expenses	-	650	1,751	-	2,401	61,310
Total current assets	<u>195,516</u>	<u>472,914</u>	<u>296,220</u>	<u>2,356</u>	<u>967,006</u>	<u>1,057,189</u>
General fixed assets						
Property, plant, and equipment	5,787,904	9,404,581	671,506	30,893	15,894,884	2,087,977
Accumulated depreciation	<u>(4,839,820)</u>	<u>(3,731,486)</u>	<u>(181,502)</u>	<u>(30,893)</u>	<u>(8,783,701)</u>	<u>(1,677,508)</u>
Total general fixed assets	<u>948,084</u>	<u>5,673,095</u>	<u>490,004</u>	<u>-</u>	<u>7,111,183</u>	<u>410,469</u>
TOTAL ASSETS	<u>\$ 1,143,600</u>	<u>\$ 6,146,009</u>	<u>\$ 786,224</u>	<u>\$ 2,356</u>	<u>\$ 8,078,189</u>	<u>\$ 1,467,658</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 5,978	\$ 24,573	\$ 274,040	\$ -	\$ 304,591	\$ 30,200
Accrued expenses	1,165	4,826	3,331	445	9,767	170,515
Due to other funds	77,451	214,521	14,199	8,185	314,356	-
Due to other governmental units	18,416	-	-	-	18,416	-
Current maturities on long-term debt	-	114,000	-	-	114,000	111,128
Total current liabilities	<u>103,010</u>	<u>357,920</u>	<u>291,570</u>	<u>8,630</u>	<u>761,130</u>	<u>311,843</u>
Long-term liabilities:						
Bonds/note payable	-	4,979,562	-	-	4,979,562	336,892
TOTAL LIABILITIES	<u>103,010</u>	<u>5,337,482</u>	<u>291,570</u>	<u>8,630</u>	<u>5,740,692</u>	<u>648,735</u>
NET ASSETS:						
Reserved	83,217	283,646	-	-	366,863	2,049
Unreserved	<u>957,373</u>	<u>524,881</u>	<u>494,654</u>	<u>(6,274)</u>	<u>1,970,634</u>	<u>816,874</u>
Total retained earnings	<u>1,040,590</u>	<u>808,527</u>	<u>494,654</u>	<u>(6,274)</u>	<u>2,337,497</u>	<u>818,923</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,143,600</u>	<u>\$ 6,146,009</u>	<u>\$ 786,224</u>	<u>\$ 2,356</u>	<u>\$ 8,078,189</u>	<u>\$ 1,467,658</u>

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

CITY OF HANCOCK
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds					Governmental Activities
	Major Funds			Non-major Fund		Internal Service Funds
	Sewer	Water	Transit	Parking Meter		
				Total		
OPERATING REVENUES:						
Sales and charges for services	\$ 707,816	\$ 941,128	\$ 38,034	\$ 8,967	\$ 1,695,945	\$ 1,249,981
State revenue	-	-	161,611	-	161,611	-
Federal revenue	-	-	318,616	-	318,616	39,000
Other revenue	-	11,380	1,691	-	13,071	32,573
TOTAL OPERATING REVENUES	707,816	952,508	519,952	8,967	2,189,243	1,321,554
OPERATING EXPENSES:						
General administration	35,415	58,846	63,788	18,418	176,467	903,383
Meter reading	10,925	10,925	-	-	21,850	-
Purchased services	493,411	169,615	-	-	663,026	-
Operations and maintenance	169,852	397,864	141,915	-	709,631	355,209
Depreciation	98,318	223,568	47,581	-	369,467	116,727
TOTAL OPERATING EXPENSES	807,921	860,818	253,284	18,418	1,940,441	1,375,319
OPERATING INCOME (LOSS)	(100,105)	91,690	266,668	(9,451)	248,802	(53,765)
NON-OPERATING REVENUES (EXPENSES):						
Gain on sale of asset	-	-	-	-	-	39
Interest income	1,352	2,156	208	27	3,743	930
Interest expense	(3,041)	(156,260)	-	-	(159,301)	(17,391)
Operating transfers in	-	-	31,832	5,938	37,770	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,689)	(154,104)	32,040	5,965	(117,788)	(16,422)
NET INCOME (LOSS)	(101,794)	(62,414)	298,708	(3,486)	131,014	(70,187)
NET ASSETS BEGINNING OF YEAR	1,142,384	870,941	195,946	(2,788)	2,206,483	889,110
NET ASSETS END OF YEAR	\$ 1,040,590	\$ 808,527	\$ 494,654	\$ (6,274)	\$ 2,337,497	\$ 818,923

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

CITY OF HANCOCK
INTERNAL SERVICES FUNDS
COMBINING STATEMENTS OF CASH FLOW

Year Ended June 30, 2010

	Business Type		Governmental
	Activities		
	Enterprise	Internal Service	
	Funds	Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,669,334	\$ 1,256,366	\$ 2,925,700
Payments to suppliers	(865,711)	304,066	1,169,777
Internal activity-receipts (payments) to other funds	(114,249)	-	114,249
Payments to employees	(521,892)	986,442	1,508,334
Other receipts (payments)	493,298	71,573	564,871
Net cash provided by operating activities	<u>660,780</u>	<u>37,431</u>	<u>698,211</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>(8,100)</u>	<u>(90,669)</u>	<u>(82,569)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	254,096	(91,000)	(345,096)
Gain (loss) on sale of asset	-	(39)	(39)
Purchases of capital assets	647,365	(130,000)	(777,365)
Principal paid on capital debt	(168,000)	101,587	269,587
Interest paid on capital debt	(159,301)	(17,391)	(176,692)
Net cash (used) by capital and related financing activities	<u>(720,570)</u>	<u>(157,939)</u>	<u>(878,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>3,743</u>	<u>(930)</u>	<u>47,581</u>
Net cash provided by investing activities	<u>3,743</u>	<u>930</u>	<u>47,581</u>
Net (decrease) in cash and cash equivalents	(64,147)	(28,909)	(145,310)
Balances -- beginning of the year	<u>507,838</u>	<u>(103,869)</u>	<u>-</u>
Balances -- end of the year	<u>\$ 443,691</u>	<u>\$ 74,960</u>	<u>\$ 145,310</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 248,802	\$ 53,765	\$ 195,037
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	369,467	116,727	486,194
Changes in assets and liabilities:			
Receivables, net	(26,611)	(6,385)	(20,226)
Due from other governmental units	(250,710)	-	(250,710)
Inventory	8,164	9,136	972
Prepaid expenses	673	33,242	32,569
Accounts and other payables	291,476	16,096	307,572
Accrued expenses	1,103	(5,634)	(4,531)
Due to other governmental units	18,416	-	18,416
Net cash provided by operating activities	<u>\$ 660,780</u>	<u>\$ 37,431</u>	<u>\$ 698,211</u>

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

CITY OF HANCOCK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Non-Expendable			
	<u>Trust Fund</u>			
	Cemetery			
	Perpetual			
	<u>Agency Funds</u>			
	<u>Care Trust</u>	<u>Agency</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:				
Cash and equivalents	\$ 76,922	\$ 680	\$ 5	\$ 685
Investments	96,415	-	-	-
TOTAL ASSETS	\$ 173,337	\$ 680	\$ 5	\$ 685
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 5	\$ 5
Due to general fund	-	670	-	670
Due to other governmental units	-	10	-	10
TOTAL LIABILITIES	-	680	5	685
FUND EQUITY:				
Fund balance:				
Reserved	173,337	-	-	-
TOTAL FUND EQUITY	173,337	-	-	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 173,337	\$ 680	\$ 5	\$ 685

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

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.

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, 2009 is as follows:

Total assets	<u>\$ 1,153,722</u>
Total liabilities	\$ 162,416
Total equity	<u>991,306</u>
Total liabilities and surplus	<u>\$ 1,153,722</u>
Operating income	\$ 751,191
Operating expenses	<u>862,558</u>
Net operating income	(111,367)
Capital grant contributions	143,533
Transfers out	(188,556)
Net Non-operating revenues (expenses)	<u>77,695</u>
Net income	<u>\$ (78,695)</u>

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 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 Water and Sewage Authority.
7. The City does not hold title to the physical assets of the Authority.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Authorities financial information for the year ended June 30, 2010 (most recent year audited) shows the following:

Total Assets	\$ 10,465,734
Total Liabilities	\$ 9,916,608
Total Equity	\$ 549,126
Total Revenues	\$ 1,305,070
Total Expenditures	\$ 2,317,846
Long-Term Debt	\$ 9,080,139

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 combined 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 Clerks 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 that of 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 assets and the statement of activities) report information on all of the non-fiduciary activities of the City. 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 activities 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide statement of net assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The City first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities 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 activities 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 assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds, Enterprise Funds, Internal Service 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 judgements, 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.

Community Block Development Grant (CDBG) Fund - CDBG Fund accounts for grant revenue and expenditures.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other non-major funds include: Elevation Street TIFA Fund, Debt Service (Building Authority), Community Development Block Grant, and Residential Capital Project.

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 Water Fund, Sewer Fund, Parking Meter Fund, and Transit Fund are enterprise type funds.

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.

The City reports the following major proprietary funds:

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

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

Transit Fund - The transit Fund is used to account for the operation of the public transportation system established the City of Hancock for its residents.

FIDUCIARY FUND TYPES

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary Funds are not included in the government-wide statements.

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.

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 amounts in demand deposits and certificates of deposit.

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 statues 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 on tax roll properties attach as an enforceable lien on property as of December 31, are levied annually on July 1, and are due on 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 City, 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Inventory in the General Fund consists of expendable supplies. The individual inventory supplies 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. Capital 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.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

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.

Reclassification - Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

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, 2010, 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 major funds are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

At year-end, the City's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the City is as follows:

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units	Fiduciary Funds
Unrestricted	\$ 504,138	\$ 73,440	\$ 577,578	\$ 150,911	\$ 0
Restricted Cash	255,452	130,673	386,125	0	77,607
Total Cash and Cash Equivalents	<u>759,590</u>	<u>204,113</u>	<u>963,703</u>	<u>150,911</u>	<u>77,607</u>
Unrestricted Investments	81,704	3,388	85,092	0	0
Restricted Investments	0	172,737	172,737	0	96,415
Total Investments	<u>81,704</u>	<u>176,125</u>	<u>257,829</u>	<u>0</u>	<u>96,415</u>
Total deposits and investments	<u>\$ 841,294</u>	<u>\$ 380,238</u>	<u>\$ 1,221,532</u>	<u>\$ 150,911</u>	<u>\$ 174,022</u>

As of June 30, 2010 the City had the following investments:

Investment Type	Fair Value	Rating
Accrued Interest	\$ 248	AAA
Federal Government Obligations	263,996	AAA
Bank Certificates over one year	90,000	AAA
TOTAL	<u>\$ 354,244</u>	

NOTE C - CASH AND INVESTMENTS (Continued)

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, 2010, \$221,227 of the City's bank balance of \$1,414,633 was exposed to custodial credit risk because it was uninsured and collateralized 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.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE D - TRANSFERS AND INTERFUND BALANCES

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

<u>Fund</u>	Transfer <u>Out</u>	<u>Fund</u>	Transfer <u>In</u>
General	\$ 92,092	Major Street	\$ 54,322
		Parking Meter	5,938
		Transit	31,832
TOTALS	<u><u>\$ 92,092</u></u>	TOTALS	<u><u>\$ 92,092</u></u>

The transfers from the General Fund and other non-major governmental funds to the Major and Local Street Funds and other non-major governmental funds represents the use of unrestricted resources to finance these programs, in accordance with budgetary authorizations. The transfers from all funds to the Employee Benefits Fund and the Motor Vehicle funds represents the amounts paid for the services provided from each service fund.

The amounts of interfund receivables and payables at June 30, 2010 are as follows:

<u>Fund</u>	Interfund <u>Receivable</u>	<u>Fund</u>	Interfund <u>Payable</u>
Local Street	191,884	General	\$ 191,884
Subtotal	<u>191,884</u>	Subtotal	<u>191,884</u>
Employee Benefits	218,046	General	189,831
		Parking	8,185
		Transit	14,199
		Sewer	5,831
Subtotal	<u>218,046</u>	Subtotal	<u>218,046</u>
Motor Vehicle	662,796	General	29,900
		Major	89,547
		Local Street	257,208
		Sewer	71,620
		Water	214,521
Subtotal	<u>662,796</u>	Subtotal	<u>662,796</u>
TOTALS	<u><u>\$ 1,072,726</u></u>	TOTALS	<u><u>\$ 1,072,726</u></u>

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payable between funds.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE E - RECEIVABLES

The detail of receivables at June 30, 2010 are as follows:

<u>Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	<u>Enterprise</u>	<u>Total Primary Government</u>
Accounts	\$ 25,566	\$ 0	\$ 1,142	\$ 145,709	\$ 172,417
Taxes	84,779	38,317	0	0	123,096
Total receivables	<u>\$ 110,345</u>	<u>\$ 38,317</u>	<u>\$ 1,142</u>	<u>\$ 145,709</u>	<u>\$ 295,513</u>

NOTE F - CAPITAL ASSETS

Capital asset activity of the City's governmental activities is as follows:

	<u>Balance 6/30/09</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance 6/30/10</u>
Land	\$ 300,670	\$ 135,000	\$ 0	\$ 435,670
Depreciable Capital Assets				
Buildings	2,715,738	0	0	2,715,738
Equipment	569,628	155,586	5,422	719,792
Improvements	1,769,097	97,324	0	1,866,421
Vehicles	2,594,406	0	47,938	2,546,468
Subtotal	<u>7,648,869</u>	<u>\$ 387,910</u>	<u>\$ 53,360</u>	<u>7,848,419</u>
Accumulated Depreciation				
Buildings	905,441	\$ 66,516	\$ 0	971,957
Equipment	310,628	82,291	5,422	387,497
Improvements	651,536	94,979	0	746,515
Vehicles	1,807,673	119,371	47,938	1,879,106
Subtotal	<u>3,675,278</u>	<u>\$ 363,157</u>	<u>\$ 53,360</u>	<u>3,985,075</u>
Net depreciable capital assets	<u>3,973,591</u>			<u>3,863,344</u>
Net capital assets	<u>\$ 4,274,261</u>			<u>\$ 4,299,014</u>

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

General Fund	\$ 168,183
DDA	2,095
Major Streets Fund	64,153
Local Streets Fund	12,000
Motor Vehicle Fund	116,727
	<u>\$ 363,158</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE F - CAPITAL ASSETS (Continued)

The components of property, plant, and equipment in City proprietary funds at June 30, 2010 are summarized as follows:

PARKING METER FUND		<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Equipment		\$ 30,893	\$ 0	\$ 0	\$ 30,893
	Subtotal	<u>30,893</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>30,893</u>
Accumulated depreciation:					
Equipment		30,893	\$ 0	\$ 0	30,893
	Subtotal	<u>30,893</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>30,893</u>
Net capital assets		<u>\$ 0</u>			<u>\$ 0</u>
TRANSIT FUND		<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Construction in progress		\$ 11,454	\$ 306,238	\$ 0	\$ 317,692
Equipment		3,221	0	0	3,221
Vehicles		280,954	69,639	0	350,593
	Subtotal	<u>295,629</u>	<u>\$ 375,877</u>	<u>\$ 0</u>	<u>671,506</u>
Accumulated depreciation:					
Equipment		2,526	\$ 444	\$ 0	2,970
Vehicles		131,395	47,136	0	178,531
	Subtotal	<u>133,921</u>	<u>\$ 47,580</u>	<u>\$ 0</u>	<u>181,501</u>
Net capital assets		<u>\$ 161,708</u>			<u>\$ 490,005</u>
SEWER DISPOSAL FUND		<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Buildings		\$ 754,725	\$ 0	\$ 0	\$ 754,725
Utility system		5,033,179	0	0	5,033,179
	Subtotal	<u>5,787,904</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>5,787,904</u>
Accumulated depreciation:					
Buildings		613,213	\$ 18,868	\$ 0	632,081
Utility system		4,128,289	79,450	0	4,207,739
	Subtotal	<u>4,741,502</u>	<u>\$ 98,318</u>	<u>\$ 0</u>	<u>4,839,820</u>
Net capital assets		<u>\$ 1,046,402</u>			<u>\$ 948,084</u>
WATER SUPPLY FUND		<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Buildings		\$ 1,645,692	\$ 0	\$ 0	\$ 1,645,692
Equipment		13,383	0	0	13,383
Land		73,500	0	0	73,500
Loan fees/lease		238,496	0	0	238,496
Utility system		7,162,022	271,488	0	7,433,510
	Subtotal	<u>9,133,093</u>	<u>\$ 271,488</u>	<u>\$ 0</u>	<u>9,404,581</u>
Accumulated depreciation:					
Buildings		1,645,692	\$ 0	\$ 0	1,645,692
Equipment		6,022	1,338	0	7,360
Loan fees/lease		150,225	5,190	0	155,415
Utility system		1,705,980	217,039	0	1,923,019
	Subtotal	<u>3,507,919</u>	<u>\$ 223,567</u>	<u>\$ 0</u>	<u>3,731,486</u>
Net capital assets		<u>\$ 5,625,174</u>			<u>\$ 5,673,095</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE G - RESTRICTED ASSETS AND RESERVE FUND/EQUITY BALANCES

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

<u>General Fund</u>		<u>Other Funds</u>		<u>Enterprise Funds</u>	
Dupee Shaft	\$ 23,425	CDBG	\$ 181,144	Sewer Fund	\$ 83,217
Main Street Local Pool	41,022	Debt Retirement	\$ 1,283	Water Fund	\$ 283,646
Perry House	282	Employee benefits	\$ 2,049		
Civic Flowers	2,061				
Parks Round Up	3,734				
Sister City	146				
Maasto Hiihto	306				
	<u>\$ 70,976</u>				

General Fund - Main Street Local Pool: In 1981, funds of a CDBG were used to establish an interest free revolving commercial loan program to assist local businesses who have exhausted other means of obtaining credit. The \$41,022 represents the balance of the commercial loan program. As of June 30, 2010, there were no outstanding loan balances.

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 \$366,863 as of June 30, 2010. Use of these restricted assets are limited by applicable bond indentures and ordinances.

Internal Service Funds: The Employee Benefit Fund has restricted assets of \$2,049 as of June 30, 2010.

The Cemetery Perpetual Care Trust balance of \$173,337 is reserved for the perpetual care payments.

NOTE H - 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. Vacation pay is accumulated annually based on length of service and must be used within one year.

Accumulated unpaid vacation and sick leave at June 30, 2010 was \$97,798 and \$277,655, respectively.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

1997 Building Authority Bonds: On August 15, 1997, the City of Hancock Building Authority authorized the issuance of general obligation bonds in the amount of \$533,800 to fund the construction of a new fire hall. The bond was issued in a single denomination of \$533,800 at an interest rate not to exceed 5.0% per annum with principal amounts payable August 1 and interest payable semi-annually on February 1 and August 1.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 15,000	\$ 21,125	\$ 36,125
2011-12	15,000	20,375	35,375
2012-13	15,000	19,625	34,625
2013-14	15,000	18,875	33,875
2014-15	20,000	18,125	38,125
2015-16	20,000	17,250	37,250
2016-17	20,000	16,250	36,250
2017-18	20,000	15,250	35,250
2018-19	20,000	14,250	34,250
2019-24	130,000	54,250	184,250
2024-28	125,000	19,875	144,875
TOTALS	\$ 415,000	\$ 235,250	\$ 650,250

1998 Building Authority Bonds: On March 19, 1998, the City of Hancock Building Authority authorized the issuance of general obligation bonds in the amount of \$1,048,000 to fund the construction of a new department of public works garage. The bond was issued in a single denomination of \$1,048,000 at an interest rate of 4.75% per annum with principal amounts payable April 1 and interest payable semi-annually on April 1 and October 1.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 28,000	\$ 39,900	\$ 67,900
2011-12	29,000	38,618	67,618
2012-13	31,000	37,264	68,264
2013-14	32,000	35,839	67,839
2014-15	34,000	34,343	68,343
2015-16	36,000	32,775	68,775
2016-17	38,000	31,113	69,113
2017-18	41,000	29,355	70,355
2018-23	240,000	116,447	356,447
2023-28	318,000	55,813	373,813
TOTALS	\$ 827,000	\$ 451,467	\$ 1,278,467

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG-TERM DEBT (Continued)

U.S. Department of Agriculture Community Facilities Loans: On October 26, 2007, the City of Hancock was awarded a note of \$550,000 for the purpose of purchasing two fire trucks. The note was issued for \$550,000 at an Interest rate of 4.25% per annum with principal amounts payable October 1 and interest payable semi-annually on October 1 and April 1.

This note is subject to prepayment at any time prior to the dates on which principal and interest are due at the discretion of the City, upon seven days written notice to the USDA.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 32,000	\$ 17,880	\$ 49,880
2011-12	33,000	16,487	49,487
2012-13	35,000	15,029	50,029
2013-14	35,000	13,528	48,528
2014-15	37,000	11,984	48,984
2015-16	39,000	10,355	49,355
2016-17	41,000	8,640	49,640
2017-18	43,000	6,839	49,839
2018-19	45,000	4,952	49,952
2019-20	46,000	3,001	49,001
2020-21	47,000	1,008	48,008
TOTALS	\$ 433,000	\$ 109,703	\$ 542,703

2008A Building Authority Bonds: On June 18, 2008, the City of Hancock Building Authority authorized the issuance of general obligation bonds in the amount of \$500,000 to fund City Hall Renovations. As of June 30, 2010, \$490,210 of the bonds was issued at an interest rate of 4.125% per annum with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1.

SCHEDULE OF 2008A BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 9,000	\$ 19,924	\$ 28,924
2011-12	9,000	19,553	28,553
2012-13	10,000	19,181	29,181
2013-14	10,000	18,769	28,769
2014-15	11,000	18,356	29,356
2015-16	11,000	17,903	28,903
2016-17	12,000	17,449	29,449
2017-18	12,000	16,954	28,954
2018-23	71,000	76,643	147,643
2023-28	87,000	60,761	147,761
2028-33	108,000	41,085	149,085
2033-37	133,000	16,995	149,995
TOTALS	\$ 483,000	\$ 343,573	\$ 826,573

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG-TERM DEBT (Continued)

2008B Building Authority Bonds: On June 18, 2009, the City of Hancock Building Authority authorized the issuance of general obligation bonds in the amount of \$104,000 to fund City Hall Renovations. The bonds were issued at an interest rate of 4.5% per annum with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1.

SCHEDULE OF 2008B BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 2,000	\$ 4,500	\$ 6,500
2011-12	2,000	4,410	6,410
2012-13	2,000	4,320	6,320
2013-14	2,000	4,230	6,230
2014-15	2,000	4,140	6,140
2015-16	2,000	4,050	6,050
2016-17	2,000	3,960	5,960
2017-18	3,000	3,870	6,870
2018-23	15,000	17,325	32,325
2023-28	18,000	13,815	31,815
2028-33	22,000	9,405	31,405
2033-37	28,000	3,915	31,915
TOTALS	<u>\$ 100,000</u>	<u>\$ 77,940</u>	<u>\$ 177,940</u>

Superior National Bank: On June 1, 2010 the City of Hancock authorized the purchase of land with financing through Superior National Bank in the amount of \$135,000. The loan has an interest rate of 4.00% per annum with principal amounts and interest payable June 1 for the first Sixty (60) months. The rate will be adjusted on June 1, 2015 from the to an interest rate equal to prime rate plus seventy-five hundredths percent (.75%) for the remaining sixty (60) months.

SCHEDULE OF SUPERIOR NATIONAL BANK LOAN

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 11,244	\$ 5,400	\$ 16,644
2011-12	11,694	4,950	16,644
2012-13	12,162	4,482	16,644
2013-14	12,648	3,996	16,644
2014-15	13,154	3,490	16,138
2015-16	74,098	2,964	77,062
	<u>\$135,000</u>	<u>\$25,282</u>	<u>\$159,776</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG-TERM DEBT (Continued)

ENTERPRISE FUNDS

1997 Water Supply System Revenue Bond: On November 5, 1997, the City of Hancock authorized the sale of a Water Supply System Revenue Bond in the amount of \$1,320,000 for the purpose of constructing improvements to the City's water supply system. The bond was issued in a single denomination of \$1,320,000 at an interest rate of 4.5% per annum with principal amounts payable November 1 and interest payable semi-annually on November 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 November 1, 2001, at par plus accrued interest to the date fixed for prepayment.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 21,000	\$ 49,390	\$ 70,390
2011-12	22,000	48,468	70,468
2012-13	23,000	47,500	70,500
2013-14	24,000	46,488	70,488
2014-15	25,000	45,430	70,430
2015-16	26,000	44,328	70,328
2016-17	27,000	43,180	70,180
2017-18	29,000	41,988	70,988
2018-23	165,000	189,847	354,847
2023-28	210,000	149,750	359,750
2028-33	262,000	99,103	361,103
2033-38	<u>253,562</u>	<u>35,889</u>	<u>289,451</u>
TOTALS	<u>\$ 1,087,562</u>	<u>\$ 841,361</u>	<u>\$ 1,928,923</u>

1998 Water Supply System Revenue Bond: On October 20, 1998, the City of Hancock authorized the sale of a Water Supply System Revenue Bond in the amount of \$500,000 for the purpose of constructing a new water tower. The bond was issued in a single denomination of \$500,000 at an interest rate of 4.5% per annum with principal amounts payable May 1 and interest payable semi-annually on November 1 and May 1.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 8,000	\$ 19,170	\$ 27,170
2011-12	8,000	18,810	26,810
2012-13	9,000	18,450	27,450
2013-14	9,000	18,045	27,045
2014-15	10,000	17,640	27,640
2015-16	10,000	17,190	27,190
2016-17	10,000	16,740	26,740
2017-18	11,000	16,290	27,290
2018-23	59,000	73,890	132,890
2023-28	77,000	59,085	136,085
2028-33	95,000	40,275	135,275
2033-38	<u>120,000</u>	<u>16,650</u>	<u>136,650</u>
TOTALS	<u>\$ 426,000</u>	<u>\$ 332,235</u>	<u>\$ 758,235</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG-TERM DEBT (Continued)

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, 2010 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.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 85,000	\$ 89,500	\$ 174,500
2011-12	90,000	87,375	177,375
2012-13	90,000	85,125	175,125
2013-14	90,000	82,875	172,875
2014-15	95,000	80,625	175,625
2015-16	95,000	78,250	173,250
2016-17	100,000	75,875	175,875
2017-18	100,000	73,375	173,375
2018-23	545,000	327,750	872,750
2023-28	620,000	255,875	875,875
2028-33	705,000	174,500	879,500
2033-38	795,000	81,875	876,875
2038-39	170,000	4,250	174,250
TOTALS	<u>\$ 3,580,000</u>	<u>\$ 1,497,250</u>	<u>\$ 5,077,250</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG-TERM DEBT (Continued)

INTERNAL SERVICE FUNDS - INSTALLMENT LOANS

<u>Purpose of Note</u>	<u>Date</u>	<u>Original</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>	<u>Current</u>
Sander and dump truck	10/01/04	\$ 161,496	09/30/10	3.60%	\$ 29,360	\$ 29,360
Cat backhoe	08/17/05	\$ 44,345	08/17/09	4.30%	\$ 9,452	\$ 9,301
Cat end loader	12/21/07	\$ 150,065	12/1/13	3.85%	\$ 125,054	\$ 25,011
97 Ford and Vactor	12/1/08	\$ 124,950	12/1/14	3.55%	\$ 124,950	\$ 19,728
2009 International	6/3/09	\$ 68,499	6/3/15	4.00%	\$ 68,499	\$ 10,740
2009 Rear Loader	6/3/09	\$ 63,694	6/3/15	4.00%	\$ 63,694	\$ 9,988
2010 Snow Blower	3/2/10	\$ 91,000	2/1/19	4.00%	\$ 91,000	\$ 7,000

As of June 30, 2010, the aggregate maturities of loans payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 111,128	\$ 17,548	\$ 128,676
2011-12	75,146	12,969	88,115
2012-13	76,584	10,099	86,683
2013-14	79,230	7,169	86,399
2014-15	55,928	4,135	60,063
2015-16	9,000	2,000	11,000
2016-17	10,000	1,640	11,640
2017-18	10,000	1,240	11,240
2018-19	10,000	840	10,840
2019-20	11,000	0	11,000
TOTALS	<u>\$ 448,016</u>	<u>\$ 57,640</u>	<u>\$ 505,656</u>

Changes in long-term debt principal are summarized below:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/10</u>	<u>Current</u> <u>Maturities</u>
GOVERNMENTAL ACTIVITIES					
Building Authority Bonds - 1997	\$ 430,000	\$ 0	\$ 15,000	\$ 415,000	\$ 15,000
Building Authority Bonds - 1998	853,000	0	26,000	827,000	28,000
USDA Community Facilities Loan	464,000	0	31,000	433,000	32,000
Superior National Bank - Land	0	135,000	0	135,000	11,244
Building Authority Bonds - 2008A	482,210	9,790	9,000	483,000	9,000
Building Authority Bonds - 2008B	102,000	0	2,000	100,000	2,000
	<u>2,331,210</u>	<u>144,790</u>	<u>83,000</u>	<u>2,393,000</u>	<u>97,244</u>
ENTERPRISE FUNDS					
Water System Bonds - 1997	1,107,562	0	20,000	1,087,562	21,000
Water System Bonds - 1998	434,000	0	8,000	426,000	8,000
Sewage Disposal Bonds - 1976	55,000	0	55,000	0	0
Water Supply System Bond	3,410,904	254,096	85,000	3,580,000	85,000
	<u>5,007,466</u>	<u>254,096</u>	<u>168,000</u>	<u>5,093,562</u>	<u>114,000</u>
INTERNAL SERVICE FUND					
Installment Loans	458,607	91,000	101,587	448,020	111,128
TOTALS	<u>\$ 7,797,283</u>	<u>\$ 489,886</u>	<u>\$ 352,587</u>	<u>\$ 7,934,582</u>	<u>\$ 322,372</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG-TERM DEBT (Continued)

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

GOVERNMENTAL ACTIVITIES

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 97,244	\$ 108,729	\$ 205,973
2011-12	99,694	104,393	204,087
2012-13	105,162	99,901	205,063
2013-14	106,648	95,237	201,885
2014-15	117,154	90,438	207,592
2015-16	182,098	85,297	267,395
2016-17	113,000	77,412	190,412
2017-18	119,000	81,204	200,204
2018-23	584,000	279,501	863,501
2023-28	578,000	158,639	736,639
2028-33	130,000	50,490	180,490
2033-38	161,000	20,910	181,910
TOTALS	<u>\$ 2,393,000</u>	<u>\$ 1,252,151</u>	<u>\$ 3,645,151</u>

INTERNAL SERVICE FUNDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 111,128	\$ 17,548	\$ 128,676
2011-12	75,146	12,969	88,115
2012-13	76,584	10,099	86,683
2013-14	79,230	7,169	86,399
2014-15	55,928	4,135	60,063
2015-16	9,000	2,000	11,000
2016-17	10,000	1,640	11,640
2017-18	10,000	1,240	11,240
2018-19	10,000	840	10,840
2019-20	11,000	0	11,000
TOTALS	<u>\$ 448,016</u>	<u>\$ 57,640</u>	<u>\$ 505,656</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE I - LONG TERM DEBT (Continued)

ENTERPRISE FUNDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 114,000	\$ 158,060	\$ 272,060
2011-12	120,000	154,653	274,653
2012-13	122,000	151,075	273,075
2013-14	123,000	147,408	270,408
2014-15	130,000	143,695	273,695
2015-16	131,000	139,768	270,768
2016-17	137,000	135,795	272,795
2017-18	140,000	131,653	271,653
2018-23	769,000	591,487	1,360,487
2023-28	907,000	464,710	1,371,710
2028-33	1,062,000	313,878	1,375,878
2033-38	1,168,562	134,414	1,302,976
2038-39	170,000	4,250	174,250
TOTALS	\$ 5,093,562	\$ 2,670,846	\$ 7,764,408

NOTE J - ENTERPRISE FUNDS

SEGMENT INFORMATION - The City maintains four Enterprise Funds which provide water, sewer, parking, and transit services. Segment information for the year ended June 30, 2010 is as follows:

	<u>Parking Meter</u>	<u>Transit</u>	<u>Sewer</u>	<u>Water</u>
Operating revenues	\$ 8,967	\$ 519,952	\$ 707,816	\$ 952,508
Depreciation	\$ 0	\$ 47,581	\$ 98,318	\$ 223,568
Income (loss) from operations	\$ (9,451)	\$ 266,668	\$ (100,105)	\$ 91,690
Non-operating revenues	\$ 5,965	\$ 32,040	\$ 1,352	\$ 2,156
Non-operating expenses	\$ 0	\$ 0	\$ (3,041)	\$ (156,260)
Net Income (loss)	\$ 3,486	\$ 298,708	\$ (101,794)	\$ (62,414)
Property, plant & equipment				
Additions	\$ 0	\$ 375,877	\$ 0	\$ 271,488
Total assets	\$ 2,356	\$ 786,224	\$ 1,143,600	\$ 6,146,009
Net working capital surplus (deficit)	\$ (6,274)	\$ 4,650	\$ 92,506	\$ 114,994
Long-term liabilities:				
Payable from operating revenues	\$ 0	\$ 0	\$ 0	\$ 4,979,562
Invested in capital assets, net of related debt	\$ 0	\$ 490,004	\$ 948,084	\$ 579,533
Reserved net assets		\$ 0	\$ 83,217	\$ 313,959
Unrestricted net assets	\$ (6,274)	\$ 459,721	\$ 957,373	\$ 494,568
Total net assets	\$ (6,274)	\$ 494,654	\$ 1,040,590	\$ 808,527
Net cash provided (used) by:				
Operating activities	\$ (9,289)	\$ 324,448	\$ 17,437	\$ 328,184
Noncapital financing activities	\$ 10,062	\$ 46,031	\$ (38,636)	\$ (25,557)
Capital & related financing activities	\$ 0	\$ 375,877	\$ 58,041	\$ (286,652)
Investing activities	\$ 27	\$ 208	\$ 1,352	\$ 2,156
Beginning cash	\$ 1,476	\$ 16,659	\$ 180,452	\$ 309,251
Ending cash	\$ 2,276	\$ 11,469	\$ 102,564	\$ 327,382

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE K - RESERVES AND RESTRICTED ASSETS

The ordinance authorizing issuance of the 1997 and 1998 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 \$2,480 per quarter, with the annual requirement equal to \$9,920 until there is accumulated in such fund the aggregate sum of \$131,700.

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 \$2,843, with the annual requirement equal to \$11,370. When the balance in the Bond Reserve Account reaches \$131,700, the quarterly transfer will be increased to \$5,323.

At June 30, 2010, the City had established these accounts and had restricted cash, as required, as follows:

	<u>Required</u>	<u>Amount Funded</u>
Bond Reserve Account	\$ 109,120	\$ 125,092
Repair and Replacement Account	124,710	124,710
Bond and Interest Redemption Account	24,041	33,844
	<u>\$ 257,871</u>	<u>\$ 283,646</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:

- The Hancock Transit has not used any capital money to pay for operating expenses and all ineligible expenses, as defined by the local public transit revenue and expense manual, are properly reported and properly subtracted out as ineligible.
- The Hancock Transit has not received auxiliary or non transportation revenue.
- 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.
- Audit costs are not included in the required schedule of operating expenses. However, \$500 of audit fees are included in the annual reconciliation submittal.

The Department of Transportation required schedules are located on pages 88 through 92.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE M - TAX INCREMENT FINANCING

The City had three tax increment financing districts at June 30, 2010, the Downtown Development District (DDD), the Elevation Street City(ESD), and the MTEPS (Smart Zone) City. The taxes on the DDD and the ESD Cities are levied based on the increase of the state equalized value of the properties from the base year to the current year and are levied on both real and personal property. The DDD expanded the base year in 1993 from the 1984 initial base year. The tax revenues generated from the DDD and the ESD are recorded in the Downtown Development Authority Fund and Elevation Street TIFA Fund respectively.

On April 11, 2001, The Michigan Economic Development Corporation approved the application for a Smart Park that was submitted by the Michigan Tech Enterprise Smart Zone (MTEPS). The MTEPS is a partnership between Michigan Technological University, the City of Hancock and the City of Houghton. The MTEPS will be funded for the first 2 years by a state grant. Thereafter, it will be funded through a tax increment financing City which includes the entire Cities of Hancock and Houghton. The tax is levied annually with the school millage only and will continue until the year 2017. The Smart Zone TIF plan will not affect either City’s current tax revenue. The tax revenue levied for the summer 2010 Smart Zone was collected and paid in full to the MTEPS as of June 30, 2010, via the Local Development Finance Authority – the financing entity.

Summary of TIF City data as of June 30, 2010:

	Downtown Development	<u>TIF District</u> Local Street (Elevation)	<u>MTEPS</u>
	1984	1993	1999
Base year			
State Equalized Value (SEV) base year			
Real property	\$ 9,811,600	\$ 143,000	\$ 48,229,352
Personal property	\$ 1,661,780	\$ 0	\$ 2,911,983
Current year SEV			
Real property	\$ 14,990,051	\$ 1,161,777	\$ 75,800,072
Personal property	\$ 1,703,052	\$ 186,231	\$ 4,641,346
Increase (Decrease) of taxable value			
Real	\$ 5,178,451	\$ 1,018,777	\$ 26,770,720
Personal property	\$ 41,272	\$ 186,231	\$ 1,729,363
Authorized tax mills levied-Homestead	21.8984	24.4515	3.0
Non-homestead	0	0	12.0
Tax revenue collected	\$ 127,630	\$ 26,388	\$ 215,326

NOTE N - PENSION PLAN

Plan Description: The City’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement system of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, by calling (800) 767-6377 or at <http://www.mersofmich.com>.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE N - PENSION PLAN (Continued)

Funding Policy: The City is required to contribute to the plan at an actuarially determined rate. As of July 1, 2009 the rate, as a percent of annual covered payroll, was 12.7%. Plan members are required to contribute 3.3% of their annual covered salary. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost: For the year ended June 30, 2010, the City's required and actual pension cost was \$74,411. The annual required contribution percentage was determined as a part of the actuarial valuation on December 31, 2009, using the entry age normal cost method. Significant actuarial assumptions used include a net investment rate of return on assets of 8 percent per year compounded annually, projected salary increases of 4.5 percent per year compounded annually due to inflation, and additional projected salary increases ranging from 0 to 4.5 percent per year depending on an age to reflect merit and longevity. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. Any unfunded actuarial liability is amortized by a level percent of payroll contributions over a period of 30 years.

Three-year Trend Information:

	<u>Fiscal Year Ended March 31</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost (APC)	\$ 48,522	\$ 62,227	\$ 74,411
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0

	<u>Valuation as of December 31</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial value of assets	\$1,134,033	\$ 1,267,042	\$ 1,445,619
Actuarial accrued liability (entry age)	\$1,514,031	\$ 1,686,407	\$ 1,737,777
Unfunded actuarial liability (UAAL)	\$ 379,998	\$ 419,365	\$ 292,158
Funded ratio	75%	75%	83%
Covered payroll	\$ 588,460	\$ 619,135	\$ 622,844
UAAL as a percentage of covered payroll	65%	68%	47%

The unfunded accrued liability of the plan as of December 31, 2009 was \$292,158.

DEFINED CONTRIBUTION PENSION UNION AGREEMENT

The City provides pension benefits for all Teamster employees per the signed union bargaining agreement. For the year ending June 30, 2010, after adjustment the City made weekly contributions of \$87 per week, per participant to a defined contribution plan based on years of service.

Contributions for Teamster employees are paid to the Central States Southeast & Southwest Areas Pension Fund. The Teamster employees are not required to contribute to the pension plan. The City does not administer the pension plan for Teamster employees and therefore has no liability beyond its weekly contributions.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010

NOTE O - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees that enter into a joint agreement with the City, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be the property of the Plan's participants and are no longer subject to the City's general creditors. Because the City relies on a third party for investment and administration of the plan, the 457 plan assets are excluded from the financial statements.

NOTE P - DEFICIT FUND BALANCE

The financial statements for the Parking Meter Fund had a fund deficit at June 30, 2010 of \$6,274.

NOTE Q - PRIOR PERIOD ADJUSTMENT

Prior year General Fund's fund balance was overstated by \$9,858. A prior period adjustment was made reducing the due from other governmental units by \$9,858, reducing loan proceeds by \$9,148, and payment in lieu of taxes by \$710.

NOTE R - SUBSEQUENT EVENTS

On September 1, 2010 the City was awarded an Environmental Protection Agency Grant up to \$244,000 for storm water improvements.

On October 1, 2010, the City began incurring costs on a \$9,000 DNRE Tree ROW grant.

On December 8, 2010 the City closed on a sewer project loan and grant for a sewer project in the amounts of \$2,092,000 and \$1,908,000 respectively.

NOTE S - 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, 2010, Portage Lake Water and Sewage Authority owed The City of Hancock \$2,683, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due to other governmental units.

NOTE T - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF HANCOCK
REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION
June 30, 2010

CITY OF HANCOCK
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 1,695,585	\$ 1,695,585	\$ 1,538,303	\$ (157,282)
State sources	430,873	430,873	424,254	(6,619)
TOTAL REVENUE	2,126,458	2,126,458	1,962,557	(163,901)
EXPENDITURES:				
General government				
Board/Legislative	13,291	13,291	16,251	(2,960)
Manager	80,400	80,400	87,143	(6,743)
Clerk	48,666	48,666	59,127	(10,461)
Treasurer	49,237	49,237	49,974	(737)
Legal, accounting, and audit	26,000	26,000	30,749	(4,749)
Assessor	29,105	29,105	28,728	377
Planning and professional services	3,690	3,690	7,204	(3,514)
Elections	12,002	12,002	5,093	6,909
Building and grounds	59,378	59,378	57,870	1,508
Cemetery	31,818	31,818	37,303	(5,485)
Public safety	705,004	705,004	722,595	(17,591)
Public works	251,640	251,640	211,709	39,931
Sanitation	305,903	305,903	289,441	16,462
Recreation and culture	125,714	125,714	152,247	(26,533)
Capital outlay	-	-	135,000	(135,000)
Debt service	50,231	50,231	50,061	170
Other	59,980	59,980	79,918	(19,938)
TOTAL EXPENDITURES	1,852,059	1,852,059	2,020,413	(168,354)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	274,399	274,399	(57,856)	(332,255)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	137,488	137,488
Operating transfers out	(222,982)	(280,092)	(92,092)	188,000
	<u>(222,982)</u>	<u>(280,092)</u>	<u>45,396</u>	<u>325,488</u>
NET CHANGE IN FUND BALANCE	\$ (171,565)	\$ (285,785)	(12,460)	\$ 318,721
FUND BALANCE - BEGINNING OF YEAR			<u>95,470</u>	
FUND BALANCE - END OF YEAR			<u>\$ 83,010</u>	

CITY OF HANCOCK
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State	\$ 463,899	\$ 463,899	\$ 402,592	\$ (61,307)
Federal			90,000	
Interest	1,324	1,324	1,761	437
Other revenue	-	-	29,758	29,758
TOTAL REVENUE	<u>465,223</u>	<u>465,223</u>	<u>524,111</u>	<u>(31,112)</u>
EXPENDITURES:				
General government administration	20,529	20,529	28,737	(8,208)
Highway and streets:				
Construction	19,065	19,065	108,717	(89,652)
State trunkline maintenance	226,525	226,525	221,529	4,996
Routine maintenance	46,878	46,878	21,779	25,099
Traffic services	2,997	2,997	2,760	237
Snow and ice control	140,295	140,295	138,938	1,357
Sweeping and flushing	8,259	8,259	1,273	6,986
TOTAL EXPENDITURES	<u>464,548</u>	<u>464,548</u>	<u>523,733</u>	<u>(59,185)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	675	675	378	(297)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	54,322	54,322	-
Operating transfers out	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ 675</u>	<u>\$ 54,997</u>	<u>54,700</u>	<u>\$ (297)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>(54,322)</u>	
FUND BALANCE - END OF YEAR			<u>\$ 378</u>	

CITY OF HANCOCK
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal	\$ 119,991	\$ 119,991	\$ 238,872	\$ 118,881
Other revenue	-	-	56,224	56,224
TOTAL REVENUE	<u>119,991</u>	<u>119,991</u>	<u>295,096</u>	<u>175,105</u>
EXPENDITURES:				
General government	23,998	23,998	64	23,934
Public works	95,993	95,993	278,125	
TOTAL EXPENDITURES	<u>119,991</u>	<u>119,991</u>	<u>278,189</u>	<u>23,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>16,907</u>	<u>16,907</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>16,907</u>	<u>\$ 16,907</u>
FUND BALANCE - BEGINNING OF YEAR			<u>164,237</u>	
FUND BALANCE - END OF YEAR			<u>\$ 181,144</u>	

CITY OF HANCOCK
SUPPLEMENTAL FINANCIAL INFORMATION
June 30, 2010

CITY OF HANCOCK
GENERAL FUND
BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	2010	2009
ASSETS:		
Cash and cash equivalents	\$ 162,343	\$ 113,137
Investments	81,704	84,093
Receivables		
Delinquent taxes	84,779	757
Service customers (includes unbilled)	14,212	12,396
Other	11,354	11,354
Due from other funds	-	60,110
Due from fiduciary funds	670	279
Due from government units	78,055	89,721
Prepaid expenses	30,540	30,133
Inventory	21,856	23,160
Restricted cash	70,976	67,342
TOTAL ASSETS	\$ 556,489	\$ 492,482
LIABILITIES:		
Accounts payable	\$ 37,913	\$ 23,015
Accrued expenses	23,951	19,050
Due to other funds	411,615	354,947
TOTAL LIABILITIES	473,479	397,012
FUND BALANCES:		
Reserved	70,976	67,342
Unreserved	12,034	28,128
TOTAL FUND BALANCES	83,010	95,470
TOTAL LIABILITIES AND FUND BALANCES	\$ 556,489	\$ 492,482

CITY OF HANCOCK
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

REVENUES:	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
Current taxes:				
Property taxes	\$ 1,008,696	\$ 997,041	\$ 11,655	\$ 947,785
Personal property taxes	63,942	59,629	4,313	58,522
Penalties & interest on tax	6,000	8,909	(2,909)	11,432
Payments in lieu of tax	15,000	17,808	(2,808)	14,308
Tax administration fees	<u>41,000</u>	<u>41,459</u>	<u>(459)</u>	<u>38,942</u>
Total current taxes	<u>1,134,638</u>	<u>1,124,846</u>	<u>9,792</u>	<u>1,070,989</u>
State and federal revenue:				
DNR grant	-	-	-	2,000
Federal Grant	-	12,173	(12,173)	-
Police training	1,076	1,627	(551)	1,697
Sales tax	425,000	405,502	19,498	472,569
Liquor tax	<u>4,797</u>	<u>4,952</u>	<u>(155)</u>	<u>9,352</u>
Total state and federal revenue	<u>430,873</u>	<u>424,254</u>	<u>6,619</u>	<u>485,618</u>
Charges for services:				
Vault service	2,368	3,705	(1337)	1,530
Burial open and close	11,839	8,810	3,029	7,660
Garbage collection	162,000	171,836	(9,836)	167,665
Campground revenue	67,519	75,273	(7,754)	62,720
Beach rental fees	878	740	138	650
Other charges	109,356	92,654	16,702	91,857
Cemetery lots	<u>6,117</u>	<u>10,900</u>	<u>(4783)</u>	<u>2,300</u>
Total charges for services	<u>360,077</u>	<u>363,918</u>	<u>(3,841)</u>	<u>334,382</u>
Fines, forfeitures and penalties	<u>2,500</u>	<u>1,112</u>	<u>1388</u>	<u>2,088</u>
Rentals:				
Interest income	12,779	4,473	8306	11,393
Cemetery interest	439	905	(466)	819
Land rents	1,575	1,100	475	2,250
Office rental	<u>8,201</u>	<u>7,620</u>	<u>581</u>	<u>7,620</u>
Total Rentals	<u>22,994</u>	<u>14,098</u>	<u>8896</u>	<u>22,082</u>
Other revenue:				
Sale of assets	9,000	1,200	7,800	41,109
Parks Round-up contributions	110	52	58	44
Sand and salt sales	64,000	451	63,549	1,658
Cable franchise fee	36,000	24,499	11,501	40,337
Reimbursement	61,029	3,377	57,652	16,658
Licenses and permits	105	115	(10)	120
Miscellaneous	<u>5,132</u>	<u>4,635</u>	<u>497</u>	<u>6,609</u>
Total other revenue	<u>175,376</u>	<u>34,329</u>	<u>141,047</u>	<u>106,535</u>
TOTAL REVENUES	<u>2,126,458</u>	<u>1,962,557</u>	<u>163,901</u>	<u>2,021,694</u>

CITY OF HANCOCK
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2010
With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
EXPENDITURES:				
General government administration:				
Legislative	11,885	15,271	(3,386)	19,459
City manager	80,400	87,143	(6,743)	99,040
Planning and professional services	3,690	7,204	(3,514)	6,678
Clerk	48,666	59,127	(10,461)	64,072
Treasurer	49,237	49,974	(737)	52,730
Attorney	6,000	3,749	2,251	3,792
Assessor	29,105	28,728	377	29,780
Elections	12,002	5,093	6,909	16,025
Accounting and computer services	20,000	27,000	(7,000)	22,500
Board of review	1,406	980	426	750
Building and grounds	59,378	57,870	1,508	618,719
Cemetery	31,818	37,303	(5,485)	34,451
Total general government administration	<u>353,587</u>	<u>379,442</u>	<u>(25,855)</u>	<u>967,996</u>
Public safety:				
Police	623,473	644,209	(20,736)	598,789
Fire	81,531	78,386	3,145	79,955
Total public safety	<u>705,004</u>	<u>722,595</u>	<u>(17,591)</u>	<u>678,744</u>
Public works:				
Department of public works	95,236	121,353	(26,117)	150,181
Inventory sand/calcium	63,999	245	63,754	-
Winter maintenance	3,345	-	3,345	614
Equipment rental-street lighting	89,060	89,951	(891)	90,208
Sidewalks and curbs	-	160	(160)	-
Total public works	<u>251,640</u>	<u>211,709</u>	<u>39,931</u>	<u>241,003</u>
Sanitation:				
Garbage collection	181,281	164,891	16,390	173,912
Landfill	92,558	98,562	(6,004)	95,661
Spring and fall cleanup	32,064	25,988	6,076	42,009
Total sanitation	<u>305,903</u>	<u>289,441</u>	<u>16,462</u>	<u>311,582</u>
Culture and recreation:				
Parks	33,421	39,576	(6,155)	46,814
Water front development	2,017	866	1,151	2,522
Beach	16,631	13,117	3,514	9,747
Campground	55,637	73,372	(17,735)	56,461
Ski trails	9,161	19,088	(9,927)	11,810
Skating rinks	8,847	6,228	2,619	12,562
Total culture and recreation	<u>125,714</u>	<u>152,247</u>	<u>(26,533)</u>	<u>139,916</u>

CITY OF HANCOCK
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2010
With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
Capital outlay	<u>-</u>	<u>135,000</u>	<u>(135,000)</u>	<u>-</u>
Debt service	<u>50,231</u>	<u>50,061</u>	<u>170</u>	<u>50,358</u>
Other:				
Community promotion	<u>23,980</u>	<u>48,796</u>	<u>(24,816)</u>	<u>38,517</u>
Insurance	<u>36,000</u>	<u>31,122</u>	<u>4,878</u>	<u>36,088</u>
Total other	<u>59,980</u>	<u>79,918</u>	<u>(19,938)</u>	<u>74,605</u>
TOTAL EXPENDITURES	<u>1,852,059</u>	<u>2,020,413</u>	<u>(33,354)</u>	<u>2,464,204</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>274,399</u>	<u>(57,856)</u>	<u>332,255</u>	<u>(442,510)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	<u>-</u>	<u>137,488</u>	<u>(137,488)</u>	<u>556,697</u>
Operating transfers out	<u>(280,092)</u>	<u>(92,092)</u>	<u>(188,000)</u>	<u>(350,367)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>(280,092)</u>	<u>45,396</u>	<u>(325,488)</u>	<u>206,330</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (5,693)</u>	<u>(12,460)</u>	<u>\$ 6,767</u>	<u>(236,180)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>95,470</u>		<u>331,650</u>
FUND BALANCE, END OF YEAR		<u>\$ 83,010</u>		<u>\$ 95,470</u>

CITY OF HANCOCK
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	Major Street	Local Street	Community Development Block Grant	Elevation Street TIF	Totals (Memorandum Only)	
					2010	2009
ASSETS:						
Cash	\$ 64,072	\$ 12,970	\$ -	\$ 171,986	\$ 249,028	\$ 296,406
Restricted cash	-	-	181,144	-	181,144	172,897
Taxes receivable	-	38,272	-	45	38,317	45,828
Due from other funds	-	191,884	-	-	191,884	201,884
Due from other governmental units	34,337	15,451	66,264	-	116,052	49,073
Total assets	\$ 98,409	\$ 258,577	\$ 247,408	\$ 172,031	\$ 776,425	\$ 766,088
LIABILITIES:						
Accounts payable	\$ 7,705	\$ 183	\$ 66,264	\$ -	\$ 74,152	\$ 8,743
Accrued expenses	779	990	-	-	1,769	1,920
Due to other funds	89,547	257,208	-	-	346,755	501,415
Total liabilities	98,031	258,381	66,264	-	422,676	512,078
FUND EQUITY:						
Fund Balance - Reserved	-	-	181,144	-	181,144	-
Fund Balance - Unreserved	378	196	-	172,031	172,605	254,010
TOTAL FUND EQUITY	378	196	181,144	172,031	353,749	254,010
TOTAL LIABILITIES AND FUND EQUITY	\$ 98,409	\$ 258,577	\$ 247,408	\$ 172,031	\$ 776,425	\$ 766,088

CITY OF HANCOCK
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

June 30, 2010 and 2009

	Major Street	Local Street	Community Development Block Grant	Elevation Street TIF	Totals (Memorandum Only)	
					2010	2009
REVENUES:						
Current taxes	\$ -	\$ 86,938	\$ -	\$ 26,388	\$ 113,326	\$ 109,445
State	402,592	147,144	238,872	-	788,608	867,804
Federal	90,000	-	-	-	90,000	-
Interest	1,761	636	-	1,548	3,945	4,812
Other revenue	29,758	-	56,224	-	85,982	133,156
Total revenues	524,111	234,718	295,096	27,936	1,081,861	1,115,217
EXPENDITURES:						
General government administration	28,737	6,524	-	-	35,261	36,427
Highway and streets:						
Construction	108,717	49,689	-	-	158,406	53,240
State trunkline maintenance	221,529	-	-	-	221,529	281,015
Routine maintenance	21,779	47,068	-	-	68,847	96,936
Traffic services	2,760	3,874	-	-	6,634	3,890
Snow and ice control	138,938	127,179	-	-	266,117	416,530
Sweeping and flushing	1,273	188	-	-	1,461	1,460
State grant expenditures	-	-	278,189	-	278,189	258,552
Total expenditures	523,733	234,522	278,189	-	1,036,444	1,148,050
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	378	196	16,907	27,936	45,417	(32,833)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	54,322	-	-	-	54,322	238,696
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	54,700	196	16,907	27,936	99,739	205,863
FUND BALANCE, BEGINNING OF YEAR	(54,322)	-	164,237	144,095	254,010	48,147
FUND BALANCE, END OF YEAR	\$ 378	\$ 196	\$ 181,144	\$ 172,031	\$ 353,749	\$ 254,010

CITY OF HANCOCK
MAJOR STREET FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
State	\$ 463,899	\$ 402,592	\$ 61,307	\$ 514,050
Federal	-	90,000	(90,000)	-
Interest	1,324	1,761	(437)	1,392
Other revenue	-	29,758	(29,758)	549
TOTAL REVENUES	<u>465,223</u>	<u>524,111</u>	<u>(58,888)</u>	<u>515,991</u>
EXPENDITURES:				
General government administration	<u>20,529</u>	<u>28,737</u>	<u>(8,208)</u>	<u>28,703</u>
Highway and streets:				
Construction	19,065	108,717	(89,652)	42,303
State trunkline maintenance	226,527	221,529	4,998	281,015
Routine maintenance	46,878	21,779	25,099	28,824
Traffic services	2,996	2,760	236	2,433
Snow and ice control	140,294	138,938	1,356	186,797
Sweeping and flushing	8,259	1,273	6,986	238
Total highway and streets	<u>444,019</u>	<u>494,996</u>	<u>(50,977)</u>	<u>541,610</u>
TOTAL EXPENDITURES	<u>464,548</u>	<u>523,733</u>	<u>(59,185)</u>	<u>570,313</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>675</u>	<u>378</u>	<u>297</u>	<u>(54,322)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>54,322</u>	<u>54,322</u>	<u>-</u>	<u>39,356</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>54,322</u>	<u>54,322</u>	<u>-</u>	<u>39,356</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 54,997</u>	54,700	<u>\$ 297</u>	(14,966)
FUND BALANCE, BEGINNING OF YEAR		<u>(54,322)</u>		<u>(39,356)</u>
FUND BALANCE, END OF YEAR		<u>\$ 378</u>		<u>\$ (54,322)</u>

CITY OF HANCOCK
LOCAL STREET FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Taxes	\$ 90,000	\$ 86,938	\$ 3,062	\$ 83,822
State and federal	163,973	147,144	16,829	166,599
Income revenue	<u>265</u>	<u>636</u>	<u>(371)</u>	<u>1,072</u>
TOTAL REVENUES	<u>254,238</u>	<u>234,718</u>	<u>19,520</u>	<u>251,493</u>
EXPENDITURES:				
General government administration	<u>6,644</u>	<u>6,524</u>	<u>120</u>	<u>7,724</u>
Highway and streets:				
Construction	45,922	49,689	(3,767)	10,937
Routine maintenance	151,675	47,068	104,607	68,112
Traffic services	2,245	3,874	(1,629)	1,457
Snow and ice control	212,727	127,179	85,548	229,733
Sweeping and flushing	<u>12,209</u>	<u>188</u>	<u>12,021</u>	<u>1,222</u>
Total highway and streets	<u>424,778</u>	<u>227,998</u>	<u>196,780</u>	<u>311,461</u>
TOTAL EXPENDITURES	<u>431,422</u>	<u>234,522</u>	<u>196,900</u>	<u>319,185</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(177,184)</u>	<u>196</u>	<u>(177,380)</u>	<u>(67,692)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>178,000</u>	<u>-</u>	<u>178,000</u>	<u>199,340</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>178,000</u>	<u>-</u>	<u>178,000</u>	<u>199,340</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 816</u>	<u>196</u>	<u>\$ 620</u>	<u>131,648</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>(131,648)</u>
FUND BALANCE, END OF YEAR		<u>\$ 196</u>		<u>\$ -</u>

CITY OF HANCOCK
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	Budget	2010	Variance	2009
REVENUES:				
Federal grant	\$ 119,991	\$ 238,872	\$ (118,881)	\$ 187,155
Other revenue	-	56,224	(56,224)	132,607
TOTAL REVENUES	119,991	295,096	(175,105)	319,762
EXPENDITURES:				
Administration	23,998	64	23,934	2,000
Construction	95,993	278,125	(182,132)	256,552
TOTAL EXPENDITURES	119,991	278,189	(158,198)	258,552
EXCESS OF REVENUES OVER EXPENDITURES	-	16,907	(16,907)	61,210
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	16,907	\$ (16,907)	61,210
FUND BALANCE, BEGINNING OF YEAR		164,237		-
FUND BALANCE, END OF YEAR		\$ 181,144		\$ 61,210

CITY OF HANCOCK
ELEVATION STREET TIFA
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Taxes	\$ 27,216	\$ 26,388	\$ 828	\$ 25,623
Interest	779	1,548	(769)	2,348
TOTAL REVENUES	<u>27,995</u>	<u>27,936</u>	<u>59</u>	<u>27,971</u>
EXPENDITURES:				
General government administration	<u>22,907</u>	-	<u>22,907</u>	-
TOTAL EXPENDITURES	<u>22,907</u>	-	<u>22,907</u>	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,088</u>	27,936	<u>\$ (22,848)</u>	<u>27,971</u>
FUND BALANCE, BEGINNING OF YEAR		<u>144,095</u>		<u>116,124</u>
FUND BALANCE, END OF YEAR		<u>\$ 172,031</u>		<u>\$ 144,095</u>

CITY OF HANCOCK
DEBT SERVICE (BUILDING AUTHORITY) FUND
BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash	<u>\$ 1,283</u>	<u>\$ 1,268</u>
FUND BALANCES:		
Reserved	<u>\$ 1,283</u>	<u>\$ 1,268</u>

CITY OF HANCOCK
DEBT SERVICE (BUILDING AUTHORITY) FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Rental income	\$ 139,872	\$ 137,931	\$ 1,941	\$ 130,213
Interest income	<u>265</u>	<u>14</u>	<u>251</u>	<u>43</u>
TOTAL REVENUES	<u>140,137</u>	<u>137,945</u>	<u>2,192</u>	<u>130,256</u>
EXPENDITURES:				
Bond principal	52,000	52,000	-	50,000
Bond interest and other expense	87,872	85,930	1,942	80,761
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>
TOTAL EXPENDITURES	<u>139,872</u>	<u>137,930</u>	<u>1,942</u>	<u>130,806</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 265</u>	15	<u>\$ 250</u>	(550)
FUND BALANCE, BEGINNING OF YEAR		<u>1,268</u>		<u>1,818</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,283</u>		<u>\$ 1,268</u>

CITY OF HANCOCK
RESIDENTIAL CAPITAL PROJECTS
BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash	\$ <u>19,856</u>	\$ <u>15,279</u>
 TOTAL ASSETS	 \$ <u>19,856</u>	 \$ <u>15,279</u>
 LIABILITIES:		
 FUND BALANCES:		
Unreserved	<u>19,856</u>	<u>15,279</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>19,856</u>	 \$ <u>15,279</u>

CITY OF HANCOCK
RESIDENTIAL CAPITAL PROJECTS
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Other revenue:				
Lot sales	\$ 60,000	\$ 16,009	\$ 43,991	\$ 16,000
Other income	-	-	-	1,000
Interest	<u>265</u>	<u>209</u>	<u>56</u>	<u>473</u>
TOTAL REVENUES	<u>60,265</u>	<u>16,218</u>	<u>44,047</u>	<u>17,473</u>
EXPENDITURES:				
General government administration	-	50	(50)	50
Construction	<u>42,979</u>	<u>11,591</u>	<u>31,388</u>	<u>2,144</u>
TOTAL EXPENDITURES	<u>42,979</u>	<u>11,641</u>	<u>31,338</u>	<u>2,194</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>17,286</u>	<u>4,577</u>	<u>12,709</u>	<u>15,279</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,671</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,671</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 17,286</u>	4,577	<u>\$ 12,709</u>	90,950
FUND BALANCE, BEGINNING OF YEAR		<u>15,279</u>		<u>(75,671)</u>
FUND BALANCE, END OF YEAR		<u>\$ 19,856</u>		<u>\$ 15,279</u>

CITY OF HANCOCK
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	Sewer Disposal System	Water Supply System	Transit	Parking Meter	Totals (Memorandum Only)	
					2010	2009
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 15,959	\$ 43,736	\$ 11,469	\$ 2,276	\$ 73,440	\$ 62,803
Investments	3,388	-	-	-	3,388	3,502
Restricted cash	13,648	180,478	-	-	194,126	129,932
Restricted investments	69,569	103,168	-	-	172,737	311,601
Accounts receivable	58,844	86,745	40	80	145,709	119,098
Due from other government	-	-	282,960	-	282,960	32,250
Inventory	34,108	58,137	-	-	92,245	100,409
Prepaid expenses	-	650	1,751	-	2,401	3,074
Total current assets	195,516	472,914	296,220	2,356	967,006	762,669
Property, plant, and equipment	5,787,904	9,404,581	671,506	30,893	15,894,884	15,247,519
Accumulated depreciation & amortization	(4,839,820)	(3,731,486)	(181,502)	(30,893)	(8,783,701)	(8,414,234)
	948,084	5,673,095	490,004	-	7,111,183	6,833,285
TOTAL ASSETS	\$ 1,143,600	\$ 6,146,009	\$ 786,224	\$ 2,356	\$ 8,078,189	\$ 7,595,954

CITY OF HANCOCK
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS (CONTINUED)

June 30, 2010

With Comparative Totals at June 30, 2009

	Sewer Disposal System	Water Supply System	Transit	Parking Meter	Totals (Memorandum Only)	
					2010	2009
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 5,978	\$ 24,573	\$ 274,040	\$ -	\$ 304,591	\$ 13,115
Accrued expenses	1,165	4,826	3,331	445	9,767	8,664
Due to other funds	77,451	214,521	14,199	8,185	314,356	360,226
Due to other governmental units	18,416	-	-	-	18,416	-
Current maturities on long term debt	-	114,000	-	-	114,000	123,000
Total current liabilities	<u>103,010</u>	<u>357,920</u>	<u>291,570</u>	<u>8,630</u>	<u>761,130</u>	<u>505,005</u>
Long-term liabilities:						
Bonds payable	-	4,979,562	-	-	4,979,562	4,884,466
TOTAL LIABILITIES	<u>103,010</u>	<u>5,337,482</u>	<u>291,570</u>	<u>8,630</u>	<u>5,740,692</u>	<u>5,389,471</u>
NET ASSETS:						
Reserved	83,217	283,646	-	-	366,863	441,533
Unreserved	957,373	524,881	494,654	(6,274)	1,970,634	1,764,950
Total net assets	<u>1,040,590</u>	<u>808,527</u>	<u>494,654</u>	<u>(6,274)</u>	<u>2,337,497</u>	<u>2,206,483</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,143,600</u>	<u>\$ 6,146,009</u>	<u>\$ 786,224</u>	<u>\$ 2,356</u>	<u>\$ 8,078,189</u>	<u>\$ 7,595,954</u>

CITY OF HANCOCK
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

June 30, 2010

With Comparative Totals at June 30, 2009

	Sewer Fund	Water Fund	Transit	Parking Meter	Totals (Memorandum Only)	
					2010	2009
OPERATING REVENUES:						
Sales and charges for services	\$ 707,816	\$ 941,128	\$ 38,034	\$ 8,967	\$ 1,695,945	\$ 1,510,735
State Grant	-	-	147,611	-	147,611	80,529
Federal Grant	-	-	318,616	-	318,616	39,828
Other revenue	-	11,380	15,691	-	27,071	18,626
TOTAL OPERATING REVENUES	707,816	952,508	519,952	8,967	2,189,243	1,649,718
OPERATING EXPENSES:						
General administration	35,415	58,846	63,788	18,418	176,467	141,521
Meter reading	10,925	10,925	-	-	21,850	20,058
Purchased services	493,411	169,615	-	-	663,026	639,518
Operations and maintenance	169,852	397,864	141,915	-	709,631	695,651
Depreciation	98,318	223,568	47,581	-	369,467	241,936
TOTAL OPERATING EXPENSES	807,921	860,818	253,284	18,418	1,940,441	1,738,684
OPERATING INCOME (LOSS)	(100,105)	91,690	266,668	(9,451)	248,802	(88,966)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	1,352	2,156	208	27	3,743	9,842
Interest expense	(3,041)	(156,260)	-	-	159,301	(120,678)
Operating transfers in	-	-	31,832	5,938	37,770	36,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,689)	(154,104)	32,040	5,965	(117,788)	(74,836)
NET INCOME (LOSS)	(101,794)	(62,414)	298,708	(3,486)	131,014	(163,802)
NET ASSETS (DEFICIT), BEGINNING OF THE YEAR	1,142,384	870,941	195,946	(2,788)	2,206,483	2,370,285
NET ASSETS (DEFICIT), END OF YEAR	\$ 1,040,590	\$ 808,527	\$ 494,654	\$ (6,274)	\$ 2,337,497	\$ 2,206,483

CITY OF HANCOCK
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year Ended June 30, 2010

	Enterprise Funds				
	Major Funds			Non-major Fund	
	Sewer	Water	Transit	Parking Meter	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 696,039	\$ 926,294	\$ 38,034	\$ 8,967	\$ 1,669,334
Payments to suppliers	(514,691)	(307,320)	(43,400)	(300)	(865,711)
Internal activity-receipts (payments) to other funds	(37,490)	(76,759)	-	-	(114,249)
Payments to employees	(126,421)	(225,411)	(152,104)	(17,956)	(521,892)
Other receipts (payments)	-	11,380	481,918	-	493,298
Net cash provided by operating activities	17,437	328,184	324,448	(9,289)	660,780
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies and transfers to other funds	(38,636)	(25,557)	46,031	10,062	(8,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	-	254,096	-	-	(254,096)
Purchases of capital assets	-	(271,488)	(375,877)	-	(647,365)
Principal paid on capital debt	(55,000)	(113,000)	-	-	(168,000)
Interest paid on capital debt	(3,041)	(156,260)	-	-	(159,301)
Net cash (used) by capital and related financing activities	58,041	(286,652)	375,877	-	(720,570)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	1,352	2,156	208	27	3,743
Net cash provided by investing activities	1,352	2,156	208	27	3,743
Net (decrease) in cash and cash equivalents	(77,888)	18,131	(5,190)	800	(64,147)
Balances -- beginning of the year	180,452	309,251	16,659	1,476	507,838
Balances -- end of the year	\$ 102,564	\$ 327,382	\$ 11,469	\$ 2,276	\$ 443,691
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (100,105)	\$ 91,690	\$ 266,668	\$ (9,451)	\$ 248,802
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	98,318	223,568	47,581	-	369,467
Changes in assets and liabilities:					
Receivables, net	(11,777)	(14,834)	-	-	(26,611)
Due from other governmental units	2,683	-	(253,393)	-	(250,710)
Inventory	4,444	3,720	-	-	8,164
Prepaid expenses	-	-	673	-	673
Accounts and other payables	5,978	23,179	262,319	-	291,476
Accrued expenses	(520)	861	600	162	1,103
Due to other governmental units	18,416	-	-	-	18,416
Net cash provided by operating activities	\$ 17,437	\$ 328,184	\$ 324,448	\$ (9,289)	\$ 660,780

CITY OF HANCOCK
PARKING METER FUND
BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	2010	2009
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,276	\$ 1,476
Accounts receivable	80	80
Fixed Assets:		
Equipment	30,893	30,893
Less accumulated depreciation & amortization	(30,893)	(30,893)
TOTAL ASSETS	\$ 2,356	\$ 1,556
LIABILITIES:		
Current Liabilities:		
Accrued wages payable	445	283
Due to other funds	8,185	4,061
TOTAL LIABILITIES	8,630	4,344
RETAINED EARNINGS	(6,274)	(2,788)
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 2,356	\$ 1,556

CITY OF HANCOCK
PARKING METER FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year Ended June 30, 2010
With Comparative Actual Amounts for Year ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
OPERATING REVENUES:				
Charges for services:	\$ 18,814	\$ 8,967	\$ 9,847	\$ 12,088
OPERATING EXPENSES:				
General administration	21,288	18,418	2,870	21,409
TOTAL OPERATING EXPENSES	21,288	18,418	2,870	21,409
OPERATING INCOME (LOSS)	(2,474)	(9,451)	6,977	(9,321)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	-	27	(27)	22
Operating transfers in	5,938	5,938	-	6,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	5,938	5,965	(27)	6,022
NET INCOME (LOSS)	<u>\$ 3,464</u>	<u>(3,486)</u>	<u>\$ 6,950</u>	<u>(3,299)</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>(2,788)</u>		<u>511</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ (6,274)</u>		<u>\$ (2,788)</u>

CITY OF HANCOCK
SEWER DISPOSAL SYSTEM FUND
BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	2010	2009
ASSETS:		
Current Assets		
Cash and cash equivalents	\$ 15,959	\$ 49,376
Investments	3,388	3,502
Accounts Receivable	58,844	47,067
Due from other government	-	2,683
Inventory	34,108	38,552
Restricted Assets:		
Investments	69,569	114,057
Cash	13,648	13,517
Fixed Assets:		
Utility plant in service	5,787,904	5,787,904
Less accumulated depreciation & amortization	(4,839,820)	(4,741,502)
TOTAL ASSETS:	\$ 1,143,600	\$ 1,315,156
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 5,978	\$ -
Accrued expenses	1,165	1,685
Due to other funds	77,451	116,087
Due to other governmental units	18,416	-
Current maturities on long-term debt	-	10,000
Long-term Liabilities:		
Revenue bonds payable	-	45,000
TOTAL LIABILITIES	103,010	172,772
RETAINED EARNINGS:		
Reserved	83,217	127,574
Unreserved	957,373	1,014,810
TOTAL RETAINED EARNINGS	1,040,590	1,142,384
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 1,143,600	\$ 1,315,156

CITY OF HANCOCK
SEWER DISPOSAL SYSTEM FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2010
With Comparative Totals for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
OPERATING REVENUES:				
Charges for services	\$ 651,647	\$ 707,816	\$ (56,169)	\$ 597,344
Other revenue	132	-	132	-
	<u>651,779</u>	<u>707,816</u>	<u>(56,037)</u>	<u>597,344</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES:				
General administration	-	35,415	(35,415)	38,598
Meter reading	-	10,925	(10,925)	10,030
Operations and maintenance	-	169,852	(169,852)	140,005
Share of Portage Lake W & S Auth plant expense	-	493,411	(493,411)	464,763
Depreciation	-	98,318	(98,318)	98,318
	<u>-</u>	<u>807,921</u>	<u>(807,921)</u>	<u>751,714</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	651,779	(100,105)	751,884	(154,370)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	4,569	1,352	3,217	2,275
Interest expense	-	(3,041)	3,041	(3,250)
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	-
	<u>4,569</u>	<u>(1,689)</u>	<u>6,258</u>	<u>(975)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)				
NET INCOME (LOSS)	<u>\$ 656,348</u>	<u>(101,794)</u>	<u>\$ 758,142</u>	<u>(155,345)</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>1,142,384</u>		<u>1,297,729</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 1,040,590</u>		<u>\$ 1,142,384</u>

CITY OF HANCOCK
WATER SUPPLY SYSTEM FUND
BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	2010	2009
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 43,736	\$ (4,708)
Accounts receivable	86,745	71,911
Inventory	58,137	61,857
Prepaid expenses	650	650
Restricted Assets:		
Restricted cash	180,478	116,415
Restricted investments	103,168	197,544
Fixed Assets:		
Property, plant, and equipment	9,404,581	9,133,093
Accumulated depreciation & amortization	(3,731,486)	(3,507,918)
TOTAL ASSETS	\$ 6,146,009	\$ 6,068,844
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 24,573	\$ 1,394
Accrued expenses	4,826	3,965
Due to other funds	214,521	240,078
Current maturities on long term debt	114,000	113,000
Long-term liabilities:		
Revenue bonds payable	4,979,562	4,839,466
TOTAL LIABILITIES	5,337,482	5,197,903
RETAINED EARNINGS:		
Reserved	283,646	313,959
Unreserved	524,881	556,982
TOTAL FUND EQUITY	808,527	870,941
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 6,146,009	\$ 6,068,844

CITY OF HANCOCK
WATER SUPPLY SYSTEM FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year Ended June 30, 2010
With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
OPERATING REVENUES:				
Sales and charges for services	\$ 826,076	\$ 941,128	\$ (115,052)	\$ 863,563
Other revenue	1,324	11,380	(10,056)	4,046
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	827,400	952,508	(125,108)	867,609
OPERATING EXPENSES:				
General administration	57,553	58,846	(1,293)	59,282
Meter reading	10,086	10,925	(839)	10,028
Purchase of Water	174,000	169,615	4,385	174,755
Operations and maintenance	3,337,400	397,864	2,939,536	431,312
Depreciation	-	223,568	(223,568)	106,432
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	3,579,039	860,818	2,718,221	781,809
OPERATING INCOME (LOSS)	(2,751,639)	91,690	(2,843,329)	85,800
NON-OPERATING REVENUES (EXPENSES):				
Interest income	4,305	2,156	2,149	7,344
Interest expense	(274,423)	(156,260)	(118,163)	(117,428)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(270,118)	(154,104)	(116,014)	(110,084)
NET INCOME (LOSS)	<u>\$ (3,021,757)</u>	<u>(62,414)</u>	<u>\$ (2,959,343)</u>	<u>(24,284)</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<hr/>		<hr/>
		870,941		895,225
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 808,527</u>		<u>\$ 870,941</u>

CITY OF HANCOCK
TRANSIT FUND
BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	2010	2009
ASSETS:		
Current assets:		
Cash	\$ 11,469	\$ 16,659
Accounts receivable	40	40
Due from other governmental units	282,960	29,567
Prepaid Expenses	1,751	2,424
Total current assets	296,220	48,690
Fixed Assets:		
Vehicles and equipment	671,506	295,629
Accumulated depreciation	(181,502)	(133,921)
	490,004	161,708
TOTAL ASSETS	\$ 786,224	\$ 210,398
 LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 274,040	\$ 11,721
Accrued expenses	3,331	2,731
Due to other funds	14,199	-
TOTAL LIABILITIES	291,570	14,452
 RETAINED EARNINGS	 494,654	 195,946
 TOTAL LIABILITIES AND RETAINED EARNINGS	 \$ 786,224	 \$ 210,398

CITY OF HANCOCK
TRANSIT FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2010
With Comparative Totals at June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
OPERATING REVENUES:				
Sales and charges for services	\$ 40,000	\$ 38,034	\$ 1,966	\$ 37,740
State grant	70,568	147,611	(77,043)	80,529
Federal grant	30,800	318,616	(287,816)	39,828
Other revenue	-	15,691	(15,691)	14,580
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	141,368	519,952	(378,584)	172,677
OPERATING EXPENSES:				
General administration	42,288	63,788	(21,500)	22,232
Operations and maintenance	139,131	141,915	(2,784)	124,334
Depreciation	-	47,581	(47,581)	37,186
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	181,419	253,284	(71,865)	183,752
OPERATING INCOME (LOSS)				
	(40,051)	266,668	(306,719)	(11,075)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	300	208	92	201
Operating transfers in	41,832	31,832	10,000	30,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	42,132	32,040	10,092	30,201
NET INCOME (LOSS)				
	\$ 2,081	298,708	\$ (296,627)	19,126
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR				
		<hr/>		<hr/>
		195,946		176,820
RETAINED EARNINGS (DEFICIT), END OF YEAR				
		<hr/>		<hr/>
		\$ 494,654		\$ 195,946

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEETS

June 30, 2010

With Comparative Totals at June 30, 2009

	Employee Benefit	Motor Vehicle	Totals (Memorandum Only)	
			2010	2009
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 32,535	\$ 40,376	\$ 72,911	\$ 101,846
Restricted cash	2,049	-	2,049	2,023
Accounts receivable	-	1,142	1,142	7,527
Due from other funds	218,046	662,796	880,842	954,594
Due from component unit	-	-	-	16,917
Inventory	-	38,935	38,935	29,799
Prepaid expenses	45,551	15,759	61,310	28,068
Total current assets	298,181	759,008	1,057,189	1,140,774
Fixed Assets:				
Equipment	-	2,087,977	2,087,977	2,000,915
Accumulated depreciation & amortization	-	(1,677,508)	(1,677,508)	(1,603,719)
Total Fixed Assets	-	410,469	410,469	397,196
TOTAL ASSETS	\$ 298,181	\$ 1,169,477	\$ 1,467,658	\$ 1,537,970
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 14,031	\$ 16,169	\$ 30,200	\$ 14,104
Accrued sick and vacation	165,732	-	165,732	169,761
Accrued wages payable	2,835	1,948	4,783	6,388
Current maturities on long term debt	-	111,128	111,128	101,604
Total current liabilities	182,598	129,245	311,843	291,857
Long-term liabilities:				
Notes payable	-	336,892	336,892	357,003
TOTAL LIABILITIES	182,598	466,137	648,735	648,860
RETAINED EARNINGS:				
Reserved	2,049	-	2,049	2,023
Unreserved	113,534	703,340	816,874	887,087
Total retained earnings	115,583	703,340	818,923	889,110
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 298,181	\$ 1,169,477	\$ 1,467,658	\$ 1,537,970

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 2010
With Comparative Totals for Year ended June 30, 2009

	Employee Benefit	Motor Vehicle	Totals	
			@CY	@PY
OPERATING REVENUES:				
Charges for services	\$ 898,204	\$ 351,777	\$ 1,249,981	\$ 1,486,607
Federal revenue	-	39,000	39,000	-
Other revenue	31,969	604	32,573	59,028
TOTAL OPERATING REVENUES	930,173	391,381	1,321,554	1,545,635
OPERATING EXPENSES:				
General government administration	42	22,395	22,437	25,489
Garage maintenance	-	99,850	99,850	103,373
Operations and maintenance	-	255,359	255,359	269,010
Depreciation	-	116,727	116,727	113,765
Benefit payments:				
Payroll taxes	121,419	-	121,419	120,980
Retirement plan expense	124,053	-	124,053	112,553
Holiday pay	34,645	-	34,645	38,321
Sick pay/personal leave	42,092	-	42,092	38,121
Vacation pay	79,877	-	79,877	78,617
Workers' compensation insurance	71,721	-	71,721	43,398
Hospitalization insurance	380,024	-	380,024	432,943
Employee life insurance	1,860	-	1,860	2,332
Longevity pay	19,300	-	19,300	19,466
Employee picnic	600	-	600	600
Other	5,355	-	5,355	7,516
TOTAL OPERATING EXPENSES	880,988	494,331	1,375,319	1,406,484
OPERATING INCOME (LOSS)	49,185	(102,950)	(53,765)	139,151
NON-OPERATING REVENUES (EXPENSES):				
Gain on sale of assets	-	39	39	40
Interest income	478	452	930	829
Interest expense	-	(17,391)	17,391	(9,732)
TOTAL NON-OPERATING REVENUES (EXPENSES)	478	(16,900)	(16,422)	(8,863)
NET INCOME (LOSS)	49,663	(119,850)	(70,187)	130,288
RETAINED EARNINGS, BEGINNING OF YEAR	65,920	823,190	889,110	758,822
RETAINED EARNINGS, END OF YEAR	\$ 115,583	\$ 703,340	\$ 818,923	\$ 889,110

CITY OF HANCOCK
INTERNAL SERVICES FUNDS
COMBINING STATEMENTS OF CASH FLOW
Year Ended June 30, 2010

	Employee Benefit	Motor Vehicle	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 904,590	\$ 351,776	\$ 1,256,366
Payments to suppliers	(33,708)	(270,358)	(304,066)
Payments to employees	(887,520)	(98,922)	(986,442)
Other receipts (payments)	31,969	39,604	71,573
Net cash provided by operating activities	<u>15,331</u>	<u>22,100</u>	<u>37,431</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>(12,917)</u>	<u>103,586</u>	<u>(90,669)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	91,000	91,000
Gain (loss) on sale of asset	-	39	39
Purchases of capital assets	-	(130,000)	(130,000)
Principal paid on capital debt	-	(101,587)	(101,587)
Interest paid on capital debt	-	(17,391)	(17,391)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(157,939)</u>	<u>(157,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>478</u>	<u>452</u>	<u>930</u>
Net cash provided by investing activities	<u>478</u>	<u>452</u>	<u>930</u>
Net (decrease) in cash and cash equivalents	2,892	(31,801)	(28,909)
Balances -- beginning of the year	<u>31,692</u>	<u>72,177</u>	<u>(103,869)</u>
Balances -- end of the year	<u>\$ 34,584</u>	<u>\$ 40,376</u>	<u>\$ 74,960</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 49,185	\$ (102,950)	\$ (53,765)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	116,727	116,727
Changes in assets and liabilities:			
Receivables, net	6,386	(1)	6,385
Inventory	-	(9,136)	(9,136)
Prepaid expenses	(33,905)	663	(33,242)
Accounts and other payables	239	15,857	16,096
Accrued expenses	(6,574)	940	5,634
Net cash provided by operating activities	<u>\$ 15,331</u>	<u>\$ 22,100</u>	<u>\$ (37,431)</u>

CITY OF HANCOCK
EMPLOYEE BENEFIT FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2010

With Comparative Actual Amounts for Year ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
OPERATING REVENUES:				
Charges for services	\$ 853,576	\$ 898,204	\$ (44,628)	\$ 831,392
Other revenue	<u>65,662</u>	<u>31,969</u>	<u>33,693</u>	<u>58,383</u>
TOTAL OPERATING REVENUES	<u>919,238</u>	<u>930,173</u>	<u>(10,935)</u>	<u>889,775</u>
EXPENSES:				
General government administration	1,721	42	1,679	10
Benefit payments:				
Payroll taxes	115,464	121,419	(5,955)	120,980
Retirement plan expense	130,000	124,053	5,947	112,553
Holiday pay	37,119	34,645	2,474	38,321
Sick pay/personal leave	41,117	42,092	(975)	38,121
Vacation pay	77,665	79,877	(2,212)	78,617
Workers' compensation insurance	55,987	71,721	(15,734)	43,398
Hospitalization insurance	430,500	380,024	50,476	432,943
Employee life insurance	2,690	1,860	830	2,332
Longevity pay	19,803	19,300	503	19,466
Employee picnic	795	600	195	600
Other	<u>5,398</u>	<u>5,355</u>	<u>43</u>	<u>7,516</u>
TOTAL OPERATING EXPENSES	<u>918,259</u>	<u>880,988</u>	<u>37,271</u>	<u>894,857</u>
OPERATING INCOME (LOSS)	979	49,185	(48,206)	(5,082)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	<u>265</u>	<u>478</u>	<u>(213)</u>	<u>455</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>265</u>	<u>478</u>	<u>(213)</u>	<u>455</u>
NET INCOME (LOSS)	<u>\$ 1,244</u>	49,663	<u>\$ (48,419)</u>	(4,627)
RETAINED EARNINGS, BEGINNING OF YEAR		<u>65,920</u>		<u>70,547</u>
RETAINED EARNINGS, END OF YEAR		<u>\$ 115,583</u>		<u>\$ 65,920</u>

CITY OF HANCOCK
MOTOR VEHICLE FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2010
With Comparative Totals for Year ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
OPERATING REVENUES:				
Charges for services	\$ 444,744	\$ 351,777	\$ 796,521	\$ 655,215
Federal revenue	-	39,000	39,000	-
Other revenue	662	604	1,266	645
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	445,406	391,381	836,787	655,860
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES:				
General government administration	28,678	22,395	51,073	25,479
Garage maintenance	107,150	99,850	207,000	103,373
Operations and maintenance	243,299	255,359	498,658	269,010
Depreciation	-	116,727	116,727	113,765
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	379,127	494,331	873,458	511,627
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	66,279	(102,950)	(36,671)	144,233
	<hr/>	<hr/>	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES):				
Gain on sale of assets	3,426	39	3,465	40
Interest income	1,060	452	1,512	374
Interest expense	(64,754)	(17,391)	82,145	(9,732)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(60,268)	(16,900)	(77,168)	(9,318)
	<hr/>	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	<u>\$ 6,011</u>	(119,850)	<u>\$ (113,839)</u>	134,915
	<hr/>	<hr/>	<hr/>	<hr/>
RETAINED EARNINGS, BEGINNING OF YEAR		<u>823,190</u>		<u>688,275</u>
		<hr/>		<hr/>
RETAINED EARNINGS, END OF YEAR		<u>\$ 703,340</u>		<u>\$ 823,190</u>

CITY OF HANCOCK
CEMETERY PERPETUAL CARE TRUST FUND
SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
Year ended June 30, 2010
With Comparative Actual Amounts for Year ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
OPERATING REVENUES:				
Other revenue	\$ 5,563	\$ 575	\$ 6,138	\$ -
TOTAL OPERATING REVENUES	5,563	575	6,138	-
OPERATING EXPENSES:				
General government administration	264	-	264	-
TOTAL OPERATING EXPENSES	264	-	264	-
OPERATING INCOME (LOSS)	5,299	575	5,874	-
NON-OPERATING REVENUES (EXPENSES):				
Interest income	1,987	1,555	3542	2,349
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,987	1,555	3,542	2,349
NET INCOME (LOSS)	\$ 7,286	2,130	\$ 9,416	2,349
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		171,207		168,858
RETAINED EARNINGS (DEFICIT), END OF YEAR		\$ 173,337		\$ 171,207

CITY OF HANCOCK
TRANSIT FUND SUPPLEMENTAL INFORMATION
June 30, 2010

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING REVENUE
For the Year Ended June 30, 2010

	07/01/09 through 09/30/09	10/01/09 through 06/30/10	Total
Farebox receipts- passenger fares	\$ 9,508	\$ 28,527	\$ 38,035
Contract Fares*	0	1,691	1,691
State Operating Assistance**	13,205	59,274	72,479
Federal Section 5311***	1,232	18,763	19,995
Federal RTAP**	2,663	3,138	5,801
Local Operating Assistance****	0	45,832	45,832
Interest Income	76	133	209
Total Operating Revenue	\$ 26,684	\$ 157,358	\$ 184,042

	10/01/08 through 06/30/09	07/01/09 through 09/30/09	Total
Farebox receipts- passenger fares	\$ 28,617	\$ 9,508	\$ 38,125
Contract Fares	440	0	440
State Operating Assistance	53,138	13,205	66,343
Federal Section 5311	24,153	1,232	25,385
Federal RTAP	801	2,663	3,464
Local Operating Assistance	44,000	0	44,000
Interest Income	173	76	249
Total Operating Revenue	\$ 151,322	\$ 26,684	\$ 178,006

* Contract Fares revenue in the amount of \$1,691 is included under other revenue on page 80 of audit report.

**State revenue on page 80 of audit report exceeds the total of State operating assistance and RTAP revenue by \$69,331. The audit report is higher because it includes grant revenue not reported on the quarterly transit reports.

***Federal revenue on page 80 of audit report exceeds the total of Federal Section 5311 by \$298,621. The audit report includes additional federal grant revenue not reported on the quarterly transit reports.

****Operating transfers on page 80 of audit report, in the amount of \$31,832, are considered local operating assistance revenue and is included in the amount of \$45,832 above.

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
For the Year Ended June 30, 2010

	07/01/09 through 09/30/09				10/01/09 through 06/30/10				Total			
	Operation	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total
Labor:												
Wages -operations	\$ 14,588	\$ 1,408	\$ 4,235	\$ 20,231	\$ 57,081	\$ 0	\$ 0	\$ 57,081	\$ 71,669	\$ 1,408	\$ 4,235	\$ 77,312
Other salaries and wages	0	0	0	0	0	8,305	15,510	23,815	0	8,305	15,510	23,815
Dispatchers wages	1,843	0	0	1,843	5,529	0	0	5,529	7,372	0	0	7,372
Fringe benefits	4,150	1,503	4,475	10,128	13,283	7,353	13,441	34,077	17,433	8,856	17,916	44,205
Services:												
Advertising	0	0	0	0	341	0	2,000	2,341	341	0	2,000	2,341
Other	105	1,450	90	1,645	818	5,520	3,594	9,932	923	6,970	3,684	11,577
Materials and supplies:												
Fuel and lubricants	5,012	0	0	5,012	16,589	0	0	16,589	21,601	0	0	21,601
Tires and tubes	1,137	0	0	1,137	1,398	0	0	1,398	2,535	0	0	2,535
Major supplies	0	1,508	0	1,508	0	3,856	0	3,856	0	5,364	0	5,364
Other	0	0	0	0	367	0	0	367	367	0	0	367
Utilities	0	0	134	134	0	0	2,592	2,592	0	0	2,726	2,726
Insurance	1,825	0	0	1,825	250	0	0	250	2,075	0	0	2,075
Operating lease and rentals	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous expenses:												
Travel	425	0	1,099	1,524	0	0	265	265	425	0	1,364	1,789
Dues & Subscriptions	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	(26)	(26)	1332	0	32	1,364	1,332	0	6	1,338
Depreciation	0	0	0	0	47,581	0	0	47,581	47,581	0	0	47,581
	<u>29,085</u>	<u>5,869</u>	<u>10,007</u>	<u>44,961</u>	<u>144,569</u>	<u>25,034</u>	<u>37,434</u>	<u>207,037</u>	<u>173,654</u>	<u>30,903</u>	<u>47,441</u>	<u>251,998</u>
Less:												
Ineligible expenses- RTAP	425	0	2,238	2,663	583	0	698	1,281	1,008	0	2,936	3,944
Deprecation	0	0	0	0	47,581	0	0	47,581	47,581	0	0	47,581
	<u>\$ 28,660</u>	<u>\$ 5,869</u>	<u>\$ 7,769</u>	<u>\$ 42,298</u>	<u>\$ 96,405</u>	<u>\$ 25,034</u>	<u>\$ 36,736</u>	<u>\$ 158,175</u>	<u>\$ 125,065</u>	<u>\$ 30,903</u>	<u>\$ 44,505</u>	<u>\$ 200,473</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
Reporting period October 1, 2008 through September 30, 2009

	10/01/08 through 06/30/09				07/01/09 through 09/30/09				Total			
	Operation	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total
Labor:												
Wages -operations	\$ 55,320	\$ 0	\$ 0	\$ 55,320	\$ 14,268	\$ 0	\$ 0	\$ 14,268	\$ 69,588	\$ 0	\$ 0	\$ 69,588
Other salaries and wages	0	3,413	5,173	8,586	0	0	0	0	0	3,413	5,173	8,586
Dispatchers wages	3,463	0	0	3,463	0	0	0	0	3,463	0	0	3,463
Fringe benefits	11,234	2,908	4,134	18,276	2,379	0	0	2,379	13,613	2,908	4,134	20,655
Services:												
Advertising	0	0	400	400	0	0	68	68	0	0	468	468
Other	232	2,282	524	3,038	204	800	557	1,561	436	3,082	1,081	4,599
Materials and supplies:												
Fuel and lubricants	16,094	0	0	16,094	8,659	0	0	8,659	24,753	0	0	24,753
Tires and tubes	186	0	0	186	401	0	0	401	587	0	0	587
Major supplies	525	3,452	0	3,977	0	1,532	0	1,532	525	4,984	0	5,509
Other	0	0	89	89	0	0	0	0	0	0	89	89
Utilities	0	0	1,628	1,628	0	0	575	575	0	0	2,203	2,203
Insurance	261	0	0	261	2,475	0	0	2,475	2,736	0	0	2,736
Operating lease and rentals	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous expenses:												
Travel	577	0	812	1,389	0	0	0	0	577	0	812	1,389
Dues & Subscriptions	0	0	800	800	0	0	124	124	0	0	924	924
Other	50	0	546	596	250	0	171	421	300	0	717	1,017
Depreciation	37,186	0	0	37,186	0	0	0	0	37,186	0	0	37,186
	<u>125,128</u>	<u>12,055</u>	<u>14,106</u>	<u>151,289</u>	<u>28,636</u>	<u>2,332</u>	<u>1,495</u>	<u>32,463</u>	<u>153,764</u>	<u>14,387</u>	<u>15,601</u>	<u>183,752</u>
Less:												
Ineligible expenses- RTAP	577	0	812	1,389	0	0	0	0	577	0	812	1,389
Deprecation	37,186	0	0	37,186	0	0	0	0	37,186	0	0	37,186
	<u>\$ 87,365</u>	<u>\$ 12,055</u>	<u>\$ 13,294</u>	<u>\$112,714</u>	<u>\$ 28,636</u>	<u>\$ 2,332</u>	<u>\$ 1,495</u>	<u>\$ 32,463</u>	<u>\$ 116,001</u>	<u>\$ 14,387</u>	<u>\$ 14,789</u>	<u>\$145,177</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANT
For the Year Ended June 30, 2010

NON URBAN AREAS	10/01/09 Through 09/30/10
STATE OF MICHIGAN	
Total Eligible Expenses	\$ 200,473
Reimbursement Rate %	35.0931%
Eligible operating assistance	\$ 70,352
 FEDERAL SECTION 5311	
Total Eligible Expenses	\$ 200,473
Reimbursement Rate %	16.0000%
Eligible operating assistance	\$ 32,076

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
MILEAGE DATA REPORT (UNAUDITED)
For the Year Ended June 30, 2010

<u>Quarter Ending:</u>	<u>Miles</u>
September 30, 2009	17,246
December 31, 2009	16,871
March 31, 2010	17,137
June 30, 2010	<u>13,862</u>
Total Miles	<u><u>65,116</u></u>

CITY OF HANCOCK
FEDERAL AWARDS PROGRAMS
JUNE 30, 2010



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

Honorable Mayor and Members of the City Council
City of 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 as of and for the year then ended June 30, 2010 which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2010-1 through 2010-2. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Hancock's in a separate letter dated December 28, 2010.

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

This report is intended solely for the information and use of the Board, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

December 28, 2010



Bruce A. Rukkila, CPA, PC

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

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

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

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

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

December 28, 2010

CITY OF HANCOCK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency Pass-through programs from: State of Michigan/Department Of Environmental Quality Safe Drinking Water State Revolving Fund	66.468	\$ 129,407
United States Department of Agriculture Rural Development Rural Housing Service Community Facilities Grant Snow blower loan	10.766	91,000
Snow blower grant	10.766	39,000
		<u>130,000</u>
U.S. Department of Housing and Urban Development-State Programs Pass-through programs from: Michigan State Housing Development Authority Rental Rehabilitation Grant	14.239	108,877
Neighborhood Stabilization Grant	14.228	129,995
		<u>238,872</u>
U.S. Department of Transportation - Federal Transit Administration Pass-through programs from: State of Michigan, Michigan Department of Transportation Operating Assistance-Section 5311	20.509	19,995
Federal Transit Capital Investment Grants Highway research planning & construction	20.205	90,000
Bus Grant	20.500	55,711
Transit facility	20.500	242,910
		<u>408,616</u>
U.S. Department of Justice Pass-through programs from: State of Michigan Byrne Jag State FY 2010	16.738	12,173
Total expenditures of federal awards		<u>\$ 919,068</u>

CITY OF HANCOCK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Agriculture is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

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

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133?	No

Identification of major programs:

Name of Federal Program	<u>CFDA Number</u>
Michigan State Housing Development Authority:	
Safe Drinking Water State Revolving Fund	66.468
Rural Housing Service Community Facilities Grant	
Snow Blower Loan	10.766
Snow Blower Grant	10.766
Federal Transit Administration Capital Investment Grant	
Bus Grant	20.500
Transit Facility	20.500

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

2010-1 – Preparation of Financial Statements in Accordance with GAAP (Repeat Finding)

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2010

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Condition: As is the case with many small entities, the City of Hancock has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City of Hancock's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the City of Hancock to perform this task internally.

Effect: As a result of this condition, the City of Hancock lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City of Hancock has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City of Hancock to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.

2010-2 – Recording, Processing and Summarizing Accounting Data - Capital Assets/Adjustments (Repeat Finding)

Criteria: The City is required to have in place internal controls over recording, processing and summarizing accounting data (e.g., maintaining internal books and records).

Condition: As is the case with many small entities, the City has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the City has placed reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

Effect: As a result of this condition, the City lacks internal controls over the recording, processing and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City has evaluated the costs vs. benefit of establishing internal controls over the recording, processing and summarizing of accounting data, and determined that it is in the best interest of the City to rely on its external auditors to recommend the necessary adjustments.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - No matters were reported.

December 28, 2010

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, 2010, and have issued our report thereon dated December 28, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 10, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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, 2010. 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 financial statements is current judgments. Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 28, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City'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.

This information is intended solely for the use of the City of Hancock Board and is not intended to be and should not be used for any other purpose.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

In planning and performing our audit of the financial statements of the City of Hancock, as of and for the year ended June 30, 2010, 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 Entity's internal control.

FINANCIAL STATEMENT FINDINGS

2010-1 – Preparation of Financial Statements in Accordance with GAAP (Repeat Finding)

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition, Cause and Effect: As is the case with many small entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls. As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City of Hancock has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the City to outsource this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.

2010-2 – Recording, Processing and Summarizing Accounting Data - Capital Assets/Adjustments (Repeat Finding)

Criteria: The City is required to have in place internal controls over recording, processing and summarizing accounting data (e.g., maintaining internal books and records).

Condition: As is the case with many small entities, the City has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the City has placed reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

Effect: As a result of this condition, the City lacks internal controls over the recording, processing and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City has evaluated the costs vs. benefit of establishing internal controls over the recording, processing and summarizing of accounting data, and determined that it is in the best interest of the City to rely on its external auditors to recommend the necessary adjustments.

ADDITIONAL COMMENTS AND RECOMMENDATIONS

During our audit we became aware of opportunities for strengthening internal controls and operating efficiencies. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any addition study of these matters, or to assist you in implementing the recommendations.

Journal Entries

Presently, there is no review of journal entries prepared by the clerk. In order to enhance the internal controls in this area, we recommend that journal entries be approved either individually or in batches by a person independent of the preparer.

Budget Review

Michigan law prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report, there were several instances of spending amounts greater than budgeted.

We recommend that the Council 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.

Public Act 275 of 1980

The City had a fund balance deficit as of June 30, 2010 in the Parking Meter Fund in the amount of \$6,274.

We recommend that the Council monitor the fund balances of all funds more closely and take steps to avoid such deficits as necessary. In accordance with Public Act 275 of 1980, the City must formulate and file a deficit elimination plan (DEP) with the State Treasurer to correct the deficit situation. This DEP must contain: (1) a copy of current trial balances showing the deficit eliminated; (2) copies of Council resolutions approving operating transfers used to eliminate the deficit; and (3) a projected budget, approved by the Council, itemizing the revenues, expenditures and the changes in the fund balance.