

CITY OF HANCOCK
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2023

CITY OF HANCOCK

June 30, 2023

ADMINISTRATION

City Manager..... Mary Babcock

BOARD MEMBERS

Mayor..... Paul Labine

Ward I..... Ron Blau

Ward II..... Rick Freeman

Ward III..... Kurt Rickard

At Large..... Lisa McKenzie

At Large..... Mandy Lounibos

At Large..... Whitney Warstler

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RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hancock, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Hancock, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hancock, Michigan, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hancock, Michigan's basic financial statements. The detailed schedule of revenues, expenditures and changes in fund balance, combining special revenue fund financial statements, and Transit Fund Supplemental Information based on June 30, 2023 year end, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and Transit Fund Supplemental Information based on June 30, 2023 year end, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative information on pages 71 and 73 has been derived from the City's 2022 audit report dated December 20, 2022, in which we expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information and the related notes to the financial statements.

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

December 15, 2023

CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

This section of City of Hancock's annual financial report presents management's discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2023. The analysis focuses on the City's financial performance as a whole. It is intended to be read as part of the City's financial statements, which immediately follows this section.

Financial Highlights

- The assets and deferred outflows of the City of Hancock's primary government exceeded its liabilities and deferred inflows at year end by \$19,151,557 (net position).
- The City of Hancock's total net position increased by \$310,924.
- The City of Hancock had charges for services of \$2,046,970 in governmental activities and \$2,298,767 for business-type activities and \$6,934,026 and \$2,770,345 in expenses for governmental and business-type activities respectively during the year ended June 30, 2023.
- At the close of the fiscal year, the City of Hancock's governmental activities reported a combined ending net position balance of \$10,217,935. This is an increase of \$152,063.
- At the end of the current fiscal year, the fund balance for the general fund was \$1,494,964. General fund operating transfers to other funds were \$76,987 in 2023 compared to \$21,800 in the prior year, an increase of \$55,187.

Overview of the Financial Statements

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

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

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

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

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

CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Overview of the Financial Statements (Continued)

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

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

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

Government-Wide Financial Analysis

Net position serves as an indicator of the City's financial position and overall performance. As shown on page 17 total assets and deferred outflows exceeded liabilities and deferred inflows by \$19,151,557 for the City's primary government.

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

	Net Position			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets				
Current Assets	\$ 4,298,980	\$ 4,212,447	\$ 2,922,798	\$ 2,503,066
Capital assets - net	10,361,909	10,371,323	16,421,996	16,647,147
Total assets	<u>14,660,889</u>	<u>14,583,770</u>	<u>19,344,794</u>	<u>19,150,213</u>
Deferred outflows of resources - pension	1,112,909	729,181	171,164	110,186
Liabilities				
Current liabilities	1,536,166	1,373,350	718,940	388,901
Noncurrent liabilities	3,632,349	3,366,231	9,817,961	10,036,013
Total liabilities	<u>5,168,515</u>	<u>4,739,581</u>	<u>10,536,901</u>	<u>10,424,914</u>
Deferred inflows of resources - pension	357,940	452,323	45,435	-
Net position				
Net investment in capital assets	8,519,381	8,397,946	6,697,996	6,633,147
Restricted	1,765,832	1,421,617	774,057	712,493
Unrestricted	(67,278)	246,309	1,461,569	1,429,121
Total net position	<u>\$ 10,217,935</u>	<u>\$ 10,065,872</u>	<u>\$ 8,933,622</u>	<u>\$ 8,774,761</u>

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Overview of the Financial Statements - (Continued)

Governmental Activities

As shown on the following table, governmental activities increased the City's net position by \$152,063. In prior year, the net position of governmental activities increased by \$1,083,202. The current to prior year change in governmental activities is due to a decrease in overall revenues of \$170,318 and an increase in overall expenditures of \$760,821. The decrease in revenues was mainly due to a combination of increases in charges for services, operating grants and contributions, property taxes, other income, and gain on sale of equipment and decreases in capital grants and contributions. The increase in expenses was mostly due to an increase in general government, public works, recreation, and transfers out. The increases were related to business technology park expenses and updates to the community master plan.

Business-type Activities

As shown below on the following table, business-type activities increased the City's net position by \$158,861. In prior year, the net position of business-type activities increased by \$119,200. The current to prior year change in business-type activities is due to an increase in overall revenues of \$17,963 and a decrease in overall expenditures of \$21,698. The increase in overall revenue is mainly due to increases in transfers from other funds. The decrease in expenditures is due to a combination of increases in purchased services, general administration, and decreases in operations and maintenance.

CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Results of Operations

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Program Revenue:				
Charges for services	\$ 2,046,970	\$ 2,007,652	\$ 2,298,767	\$ 2,285,931
Operating grants and contributions	399,126	141,965	382,789	563,444
Capital grants and contributions	594,151	1,143,107	171,906	25,062
General Revenue:				
Property taxes	1,955,144	1,895,664	-	-
State shared revenue	1,791,315	1,802,531	-	-
Other	375,410	354,908	10,744	11,806
Gain on sale of equipment	20,500	7,107	-	-
Transfers	-	-	65,000	25,000
Total revenues	<u>7,182,616</u>	<u>7,352,934</u>	<u>2,929,206</u>	<u>2,911,243</u>
Functions/program expenses				
General government	1,823,120	1,608,351	-	-
Public safety	1,335,480	1,121,009	-	-
Public works	2,665,450	2,715,656	2,770,345	2,792,043
Sanitation	258,244	281,837	-	-
Recreation	746,288	380,002	-	-
Community and economic development	-	376	-	-
Interest on long-term debt	12,990	16,819	-	-
Other	92,454	123,882	-	-
Transfers	96,527	21,800	-	-
Total expenses	<u>7,030,553</u>	<u>6,269,732</u>	<u>2,770,345</u>	<u>2,792,043</u>
Change in net position	152,063	1,083,202	158,861	119,200
Net position - Beginning	<u>10,065,872</u>	<u>8,982,670</u>	<u>8,774,761</u>	<u>8,655,561</u>
Net position - Ending	<u>\$ 10,217,935</u>	<u>\$ 10,065,872</u>	<u>\$ 8,933,622</u>	<u>\$ 8,774,761</u>

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Significant Transactions and Changes in Individual Funds

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

<u>GENERAL FUND</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 3,557,865	\$ 3,594,939	\$ (37,074)
Expenditures/Transfers/Other	\$ 3,747,063	\$ 3,352,273	\$ 394,790
Fund Balance	\$ 1,494,964	\$ 1,684,162	\$ (189,198)

The General Fund had a decrease in revenues of \$37,074 and an increase in expenditures of \$394,790. The decrease in revenue is mainly due to a combination of increases in property taxes, lease proceeds, and state and federal revenue and a decrease in proceeds of refunding bonds. The increase in expenditures was due to increases in council, clerk, assessor, public works, planning, elections, building and grounds and public safety. Public safety increased due to the purchase of several police vehicles and increased wages. The other areas increased mainly due to business technology park related expenses and increased wages and benefits.

<u>SPECIAL REVENUE FUNDS</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
<u>Major Street Fund</u>			
Revenues/Transfers/Other	\$ 1,042,538	\$ 1,295,588	\$ (253,050)
Expenditures/Transfers/Other	\$ 898,795	\$ 1,091,661	\$ (192,866)
Fund Balance	\$ 694,949	\$ 551,206	\$ 143,743
<u>Local Street Fund</u>			
Revenues/Transfers/Other	\$ 453,502	\$ 407,884	\$ 45,618
Expenditures/Transfers/Other	\$ 333,927	\$ 337,794	\$ (3,867)
Fund Balance	\$ 677,977	\$ 558,402	\$ 119,575
<u>Redevelopment Fund</u>			
Revenues/Transfers/Other	\$ 64,736	\$ -	\$ 64,736
Expenditures/Transfers/Other	\$ 19,540	\$ 376	\$ 19,164
Fund Balance	\$ 80,319	\$ 35,123	\$ 45,196
<u>Parks and Recreation Fund</u>			
Revenues/Transfers/Other	\$ 110,177	\$ 142,846	\$ (32,669)
Expenditures/Transfers/Other	\$ 91,722	\$ 170,833	\$ (79,111)
Fund Balance	\$ 18,613	\$ 158	\$ 18,455

Major Street Fund - The decrease in revenue is due to a combination of a decrease in federal grants and a decrease in State revenue for routine maintenance. Expenditures decreased mainly due to a decrease in wages and fluctuations related to grant related expenditures from prior year.

Local Street Fund - The increase in revenue is due to increases in all revenue sources. There was no significant change in expenditures from prior year.

Redevelopment Fund - The increase in revenues is due to the sale of property. The increase in expenditures was due to a transfer out to the General Fund.

Parks and Recreation Fund - The decrease in revenue is mainly due to the receipt of grant money and contributions for the construction of a dog park in the prior year. Expenses were higher in prior year due to the construction of a pickleball court and dog park related expenditures.

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Significant Transactions and Changes in Individual Funds (Continued)

ENTERPRISE FUNDS	2023	2022	Change
Sewer Fund			
Revenues/Transfers/Other	\$ 1,216,194	\$ 1,405,740	\$ (189,546)
Expenditures/Transfers/Other	\$ 848,516	\$ 985,562	\$ (137,046)
Net Position	\$ 4,057,224	\$ 3,689,546	\$ 367,678
Water Fund			
Revenues/Transfers/Other	\$ 1,336,681	\$ 1,192,631	\$ 144,050
Expenditures/Transfers/Other	\$ 1,445,064	\$ 1,398,930	\$ 46,134
Net Position	\$ 4,389,883	\$ 4,498,266	\$ (108,383)
Transit Fund			
Revenues/Transfers/Other	\$ 376,331	\$ 287,810	\$ 88,521
Expenditures/Transfers/Other	\$ 476,765	\$ 407,551	\$ 69,214
Net Position	\$ 486,515	\$ 586,949	\$ (100,434)

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

Water Fund - The increase in revenue was due to an increase in federal grant revenue related to the business technology park project. Expenses increased mainly due to expenses incurred related to a drinking water asset management plan and increases in wages and benefits.

Transit Fund - The Transit Fund revenues increased mainly due to increases in transfers in, a donated vehicle, and state sources. Expenses increased due to increases in operations and maintenance and wages.

DEBT SERVICE (BUILDING AUTHORITY)	2023	2022	Change
Revenues/Transfers/Other	\$ 135,368	\$ 128,573	\$ 6,795
Expenditures/Transfers/Other	\$ 135,363	\$ 128,577	\$ 6,786
Fund Balance	\$ 1,656	\$ 1,651	\$ 5

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

CAPITAL PROJECTS (DEVELOPMENT)	2023	2022	Change
Revenues/Transfers/Other	\$ 16,933	\$ 51,537	\$ (34,604)
Expenditures/Transfers/Other	\$ -	\$ -	\$ -
Fund Balance	\$ 106,864	\$ 89,931	\$ 16,933

Capital Projects Fund - The Capital Projects Fund had a decrease in revenue due to less money received for lot sales than in prior year.

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Significant Transactions and Changes in Individual Funds (Continued)

INTERNAL SERVICE FUNDS

<u>Employee Benefits Fund</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 983,645	\$ 890,801	\$ 92,844
Expenditures/Transfers/Other	\$ 955,668	\$ 918,593	\$ 37,075
Fund Balance	\$ 163,635	\$ 135,658	\$ 27,977

Employee Benefits Fund - Revenue increased due to an increase in charges for services. Expenses increased due to an increase in payroll taxes, hospitalization insurance, and retirement costs.

<u>Motor Vehicle Fund</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 622,479	\$ 654,087	\$ (31,608)
Expenditures/Transfers/Other	\$ 709,055	\$ 605,140	\$ 103,915
Fund Balance	\$ 331,628	\$ 418,204	\$ (86,576)

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

General Fund Budgetary Highlights

During the year ended June 30, 2023, there were two budget amendments.

Financial Analysis

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

As of the end of the current fiscal year, the City's governmental funds reported combined unassigned fund balances of \$1,443,517.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,494,964. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents about 41% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$189,198 during the fiscal year.

Proprietary Funds - The City's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net position at the end of the year amounted to \$8,933,622.

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Capital Assets and Debt Administration

The City's net capital assets for the governmental and business-type activities as of June 30, 2023, amounts to \$26,783,905. Capital asset additions totaling \$1,116,186 include construction in progress on a salt barn and business technology park, two lawn mowers, gas boiler, ball field fencing, three police vehicles, vehicle for the motor vehicle fund, construction in progress on a roof replacement for the department of public works building, bucket truck, sander and catch basins on Water Street.

Additional information on the City's capital assets can be found on page 38 of this report.

Long-term Debt – At the end of the current fiscal year, the City had total debt of \$11,566,528.

Additional information on the City's long-term debt can be found starting on page 41 of this report.

Request for Information

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

CITY OF HANCOCK
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,121,019	\$ 1,552,523	\$ 4,673,542	\$ 46,606
Restricted cash	228,423	774,057	1,002,480	-
Receivables	58,843	158,305	217,148	-
Inventories	52,889	87,562	140,451	-
Prepaid expenses	69,165	2,882	72,047	-
Due from other funds	15,270	(15,270)	-	-
Due from government units	753,371	362,739	1,116,110	54,569
Capital assets - net	10,361,909	16,421,996	26,783,905	224,496
Total assets	14,660,889	19,344,794	34,005,683	325,671
Deferred outflows of resources - pension	1,112,909	171,164	1,284,073	3,615
Liabilities				
Accounts payable and accrued expense	760,879	419,940	1,180,819	20,537
Unearned revenue	270,141	-	270,141	-
Lease payable, current	29,408	-	29,408	-
Bonds payable, due in one year	108,000	299,000	407,000	-
Note payable, due in one year	397,146	-	397,146	-
Unamortized premium on the issuance of bonds	12,332	-	12,332	-
Lease payable	134,411	-	134,411	-
Bonds payable, due in more than one year	731,000	9,425,000	10,156,000	-
Note payable, due in more than one year	430,231	-	430,231	-
Net pension liability	2,183,521	341,804	2,525,325	10,123
Compensated absences	140,854	51,157	192,011	3,508
Total liabilities	5,197,923	10,536,901	15,734,824	34,168
Deferred inflows of resources - pension	357,940	45,435	403,375	257
Net position				
Net investment in capital assets	8,519,381	6,697,996	15,217,377	224,496
Restricted				
Streets and highways	1,372,926	-	1,372,926	-
Redevelopment	80,319	-	80,319	-
Cemetery	185,454	-	185,454	-
Parks and recreation	18,613	-	18,613	-
Capital projects	106,864	-	106,864	-
Debt service	1,656	774,057	775,713	-
Unrestricted	(67,278)	1,461,569	1,394,291	70,365
Total net position	\$ 10,217,935	\$ 8,933,622	\$ 19,151,557	\$ 294,861

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

CITY OF HANCOCK
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Grants and Contributions		Primary Government			Component Unit (DDA)
			Operating	Capital	Governmental	Business-Type	Total	
Government Activities								
General government	\$ 1,823,120	\$ 983,601	\$ 351,126	\$ -	\$ (488,393)	\$ -	\$ (488,393)	\$ -
Public safety	1,335,480	720	48,000	-	(1,286,760)	-	(1,286,760)	-
Public works	2,665,450	600,192	-	590,965	(1,474,293)	-	(1,474,293)	-
Sanitation	258,244	124,949	-	-	(133,295)	-	(133,295)	-
Recreation and culture	746,288	203,599	-	-	(542,689)	-	(542,689)	-
Community and economic development	-	-	-	3,186	3,186	-	3,186	-
Interest on long-term debt	12,990	-	-	-	(12,990)	-	(12,990)	-
Other	92,454	133,909	-	-	41,455	-	41,455	-
Total governmental activities	<u>6,934,026</u>	<u>2,046,970</u>	<u>399,126</u>	<u>594,151</u>	<u>(3,893,779)</u>	<u>-</u>	<u>(3,893,779)</u>	<u>-</u>
Business-type activities:								
Water	1,445,064	1,182,451	-	151,784	-	(110,829)	(110,829)	-
Sewer	848,516	1,043,509	164,404	-	-	359,397	359,397	-
Transit	476,765	72,807	218,385	20,122	-	(165,451)	(165,451)	-
Total business-type activities	<u>2,770,345</u>	<u>2,298,767</u>	<u>382,789</u>	<u>171,906</u>	<u>-</u>	<u>83,117</u>	<u>83,117</u>	<u>-</u>
Total primary government	<u>\$ 9,704,371</u>	<u>\$ 4,345,737</u>	<u>\$ 781,915</u>	<u>\$ 766,057</u>	<u>(3,893,779)</u>	<u>83,117</u>	<u>(3,810,662)</u>	<u>-</u>
Component Unit	<u>\$ 216,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,569</u>	<u>-</u>	<u>-</u>	<u>(162,038)</u>	<u>(162,038)</u>
General revenues:								
Property taxes, levied for general operations					1,955,144	-	1,955,144	360,302
State shared revenue					1,791,315	-	1,791,315	-
Interest income and investment earnings					5,400	3,983	9,383	7,206
Operating transfers in (out)					(96,527)	65,000	(31,527)	31,527
Gain (loss) on sale of assets					20,500	-	20,500	-
Other revenues					370,010	6,761	376,771	5,206
Total general revenues, transfers, and special items					<u>4,045,842</u>	<u>75,744</u>	<u>4,121,586</u>	<u>404,241</u>
Change in net position					152,063	158,861	310,924	242,203
Net position - Beginning of year					<u>10,065,872</u>	<u>8,774,761</u>	<u>18,840,633</u>	<u>52,658</u>
Net position - End of year					<u>\$ 10,217,935</u>	<u>\$ 8,933,622</u>	<u>\$ 19,151,557</u>	<u>\$ 294,861</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
Assets				
Cash and cash equivalents	\$ 1,740,322	\$ 666,061	\$ 577,523	\$ 2,983,906
Restricted cash	42,969	-	185,454	228,423
Accounts receivable	58,343	-	-	58,343
Due from other funds	-	-	110,000	110,000
Due from government units	314,655	223,329	215,387	753,371
Inventories	8,219	5,633	1,237	15,089
Prepaid expenses	43,228	-	-	43,228
Total assets	<u>\$ 2,207,736</u>	<u>\$ 895,023</u>	<u>\$ 1,089,601</u>	<u>\$ 4,192,360</u>
Liabilities				
Accounts payable	\$ 363,082	\$ 198,128	\$ 17,684	\$ 578,894
Accrued expenses	79,549	1,946	1,034	82,529
Unearned revenue	270,141	-	-	270,141
Total liabilities	<u>712,772</u>	<u>200,074</u>	<u>18,718</u>	<u>931,564</u>
Fund balances				
Nonspendable:				
Inventories	8,219	5,633	1,237	15,089
Prepays	43,228	-	-	43,228
Restricted:				
Streets and highways	-	689,316	676,740	1,366,056
Parks and recreation	-	-	18,613	18,613
Redevelopment	-	-	80,319	80,319
Cemetery	-	-	185,454	185,454
Capital projects	-	-	106,864	106,864
Debt service	-	-	1,656	1,656
Unassigned	1,443,517	-	-	1,443,517
Total fund balances	<u>1,494,964</u>	<u>694,949</u>	<u>1,070,883</u>	<u>3,260,796</u>
Total liabilities and fund balances	<u>\$ 2,207,736</u>	<u>\$ 895,023</u>	<u>\$ 1,089,601</u>	<u>\$ 4,192,360</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION (Continued)
June 30, 2023

Fund balance reported in governmental funds	\$ 3,260,796
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	9,215,065
Net pension liability	(2,183,521)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	754,969
Internal service fund is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net position.	524,276
Long-term liabilities, including bonds, notes, and lease payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,353,650)</u>
Net position of governmental activities	<u>\$ 10,217,935</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
Revenues				
Property taxes	\$ 1,699,033	\$ -	\$ 256,111	\$ 1,955,144
State sources	835,853	866,244	296,914	1,999,011
Federal sources	292,701	175,273	-	467,974
Charges for services	463,177	-	-	463,177
Interest income	3,210	1,021	1,125	5,356
Other revenues	139,699	-	226,874	366,573
Total revenues	<u>3,433,673</u>	<u>1,042,538</u>	<u>781,024</u>	<u>5,257,235</u>
Expenditures				
General government	663,399	20,409	14,310	698,118
Public safety	1,408,199	-	-	1,408,199
Public works	308,874	878,386	319,617	1,506,877
Sanitation	259,758	-	-	259,758
Recreation and culture	776,467	-	91,722	868,189
Debt service	189,034	-	135,363	324,397
Other	64,345	-	-	64,345
Total expenditures	<u>3,670,076</u>	<u>898,795</u>	<u>561,012</u>	<u>5,129,883</u>
Excess (deficiency) of revenues over expenditures	<u>(236,403)</u>	<u>143,743</u>	<u>220,012</u>	<u>127,352</u>
Other financing sources (uses)				
Proceeds on sale of assets	1,650	-	-	1,650
Proceeds from the sale of long-term notes/loans	100,000	-	-	100,000
Proceeds from leases	22,542	-	-	22,542
Proceeds of refunding bonds	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Operating transfers in (out)	(76,987)	-	(19,540)	(96,527)
Total other financing sources (uses)	<u>47,205</u>	<u>-</u>	<u>(19,540)</u>	<u>27,665</u>
Net change in fund balances	(189,198)	143,743	200,472	155,017
Fund balances - Beginning of year	<u>1,684,162</u>	<u>551,206</u>	<u>870,411</u>	<u>3,105,779</u>
Fund balances - End of year	<u>\$ 1,494,964</u>	<u>\$ 694,949</u>	<u>\$ 1,070,883</u>	<u>\$ 3,260,796</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ 155,017
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(125,792)
Long-term liabilities, including loan proceeds and principal, and lease proceeds and payments, are not due and payable in the current period and therefore are not reported in the funds.	178,327
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	4,146
This amount represents the current year bond premium amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	2,466
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	(3,431)
Internal service fund is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities.	<u>(58,670)</u>
Change in net position of governmental activities	<u><u>\$ 152,063</u></u>

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

CITY OF HANCOCK
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2023

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Funds			Total	Internal Service Funds
	Sewer Fund	Water Fund	Transit fund		
Assets					
Cash and cash equivalents	\$ 1,529,403	\$ 22,156	\$ 964	\$ 1,552,523	\$ 137,113
Restricted cash	148,002	626,055	-	774,057	-
Accounts receivable	80,444	51,456	26,405	158,305	500
Inventories	41,641	45,921	-	87,562	37,800
Due from other funds	30,000	-	-	30,000	45,270
Due from government units	254,200	108,539	-	362,739	-
Prepaid expenses	-	-	2,882	2,882	25,937
Capital assets - net	3,966,832	11,870,963	584,201	16,421,996	1,146,844
Total assets	6,050,522	12,725,090	614,452	19,390,064	1,393,464
Deferred outflows of resources - pension	52,957	54,785	63,422	171,164	20,321
Liabilities					
Accounts payable	208,691	142,334	9,334	360,359	66,634
Accrued expenses	20,498	30,154	8,929	59,581	17,843
Due to other funds	-	19,000	26,270	45,270	140,000
Lease payable, current	-	-	-	-	25,214
Current maturities on long-term debt	41,000	258,000	-	299,000	149,983
Net pension liability	108,151	112,869	120,784	341,804	41,317
Lease payable	-	-	-	-	120,898
Compensated absences	19,665	19,465	12,027	51,157	-
Bonds/note payable	1,633,000	7,792,000	-	9,425,000	348,616
Total liabilities	2,031,005	8,373,822	177,344	10,582,171	910,505
Deferred inflows of resources - pension	15,250	16,170	14,015	45,435	8,017
Net Position					
Net investment in capital assets	2,292,832	3,820,963	584,201	6,697,996	648,245
Restricted - debt service	148,002	626,055	-	774,057	-
Unrestricted	1,616,390	(57,135)	(97,686)	1,461,569	(152,982)
Total net position	\$ 4,057,224	\$ 4,389,883	\$ 486,515	\$ 8,933,622	\$ 495,263

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

CITY OF HANCOCK
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year Ended June 30, 2023

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Major Funds				Internal Service Fund
	Sewer Fund	Water Fund	Transit fund		
Operating revenues:					
Charges for services	\$ 1,043,509	\$ 1,182,451	\$ 72,807	\$ 2,298,767	\$ 1,583,793
Federal operating grants	-	-	105,765	105,765	-
State operating grants	-	-	112,620	112,620	-
Other revenues	5,506	1,255	-	6,761	1,787
Total operating revenues	<u>1,049,015</u>	<u>1,183,706</u>	<u>291,192</u>	<u>2,523,913</u>	<u>1,585,580</u>
Operating expenses					
General administration	54,998	76,812	105,788	237,598	959,200
Meter reading	5,185	22,326	-	27,511	-
Purchased services	425,030	301,692	-	726,722	-
Operations and maintenance	182,127	333,684	287,647	803,458	523,816
Depreciation	143,189	520,699	83,330	747,218	171,667
Total operating expenses	<u>810,529</u>	<u>1,255,213</u>	<u>476,765</u>	<u>2,542,507</u>	<u>1,654,683</u>
Operating income (loss)	<u>238,486</u>	<u>(71,507)</u>	<u>(185,573)</u>	<u>(18,594)</u>	<u>(69,103)</u>
Non-operating revenues (expenses)					
Gain on sale of assets	-	-	-	-	20,500
Donated capital asset	-	-	20,122	20,122	-
Interest income	2,775	1,191	17	3,983	44
Interest expense	(37,987)	(189,851)	-	(227,838)	(10,040)
Total non-operating revenues (expenses)	<u>(35,212)</u>	<u>(188,660)</u>	<u>20,139</u>	<u>(203,733)</u>	<u>10,504</u>
Income (loss) before capital contributions and transfers	<u>203,274</u>	<u>(260,167)</u>	<u>(165,434)</u>	<u>(222,327)</u>	<u>(58,599)</u>
Capital contributions					
Federal grants	164,243	151,784	-	316,027	-
State grants	161	-	-	161	-
Total capital contributions	<u>164,404</u>	<u>151,784</u>	<u>-</u>	<u>316,188</u>	<u>-</u>
Transfers in	-	-	65,000	65,000	-
Change in net position	367,678	(108,383)	(100,434)	158,861	(58,599)
Net position (deficit), beginning of the year	3,689,546	4,498,266	586,949	8,774,761	553,862
Net position (deficit), end of year	<u>\$ 4,057,224</u>	<u>\$ 4,389,883</u>	<u>\$ 486,515</u>	<u>\$ 8,933,622</u>	<u>\$ 495,263</u>

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

CITY OF HANCOCK
PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year Ended June 30, 2023

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Funds			Total	Internal Service Funds
	Sewer Fund	Water Fund	Transit fund		
Cash flows from operating activities					
Receipts from customers	\$ 1,038,354	\$ 1,185,929	\$ 75,250	\$ 2,299,533	\$ 1,585,080
Payments to suppliers	(360,182)	(591,962)	(320,094)	(1,272,238)	(1,602,101)
Payments to employees	(78,504)	(135,829)	(67,882)	(282,215)	(181,056)
Other receipts (payments)	-	-	218,385	218,385	-
Net cash provided by operating activities	<u>599,668</u>	<u>458,138</u>	<u>(94,341)</u>	<u>963,465</u>	<u>(198,077)</u>
Cash flows from noncapital financing activities					
Operating subsidies and transfers to other funds	<u>(30,000)</u>	<u>19,000</u>	<u>91,270</u>	<u>80,270</u>	<u>94,730</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	(377,294)	(124,650)	-	(501,944)	(288,045)
Principal paid on capital debt	(40,000)	(250,000)	-	(290,000)	(119,199)
Non-operating grants	164,404	151,784	-	316,188	-
Interest paid on capital debt	(37,987)	(189,851)	-	(227,838)	(10,400)
Loan proceeds	-	-	-	-	192,002
Proceeds on sale of assets	-	-	-	-	20,500
Net cash (used) by capital and related financing activities	<u>(290,877)</u>	<u>(412,717)</u>	<u>-</u>	<u>(703,594)</u>	<u>(205,142)</u>
Cash flows from investing activities					
Interest and dividends	<u>2,775</u>	<u>1,191</u>	<u>17</u>	<u>3,983</u>	<u>44</u>
Net (decrease) in cash	281,566	65,612	(3,054)	344,124	(308,445)
Balances - beginning of the year	1,395,839	582,599	4,018	1,982,456	445,558
Balances - end of the year	<u>\$ 1,677,405</u>	<u>\$ 648,211</u>	<u>\$ 964</u>	<u>\$ 2,326,580</u>	<u>\$ 137,113</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 238,486	\$ (71,507)	\$ (185,573)	\$ (18,594)	\$ (69,103)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	143,189	520,699	83,330	747,218	171,667
Change in assets and liabilities:					
Receivables, net	(10,661)	2,223	2,443	(5,995)	(500)
Due to/from other governmental units	16,714	(83,340)	-	(66,626)	-
Deferred outflows and inflows	(22,657)	(22,657)	(30,953)	(76,267)	(7,766)
Inventory	(8,773)	(8,755)	-	(17,528)	226
Prepaid expenses	-	-	(730)	(730)	(6,567)
Net pension liability	22,457	22,457	30,682	75,596	(29,961)
Accounts and other payables	206,368	102,624	1,141	310,133	(258,871)
Accrued expenses	14,545	(3,606)	5,319	16,258	2,798
Net cash provided by operating activities	<u>\$ 599,668</u>	<u>\$ 458,138</u>	<u>\$ (94,341)</u>	<u>\$ 963,465</u>	<u>\$ (198,077)</u>

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

CITY OF HANCOCK
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	<u>Custodial Fund</u>
Assets	
Cash and equivalents	\$ 5
Total assets	<u>5</u>
Liabilities	
Due to other funds	-
Due to other governmental units	5
Total liabilities	<u>5</u>
Net position-restricted for	
Individuals, organizations, and other governments	-
Total net position	<u>\$ -</u>

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

CITY OF HANCOCK
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2023

	<u>Custodial Fund</u>
Additions	
Property taxes collected for other governments	<u>\$ 6,658,643</u>
Deductions	
Property taxes distributed to other governments	<u>6,658,643</u>
Net increase (decrease) in fiduciary net position	-
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ -</u></u>

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

The primary criterion for inclusion is the degree of oversight responsibility over such entities by the City's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity.

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

Hancock Housing Commission

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2022 is as follows:

Total Assets	\$	1,315,752
Total Liabilities	\$	78,361
Total Net Position	\$	1,237,391
Total Revenues	\$	927,469
Total Expenses	\$	887,981
Net Operating Income	\$	(51,126)

Portage Lake Water and Sewage Authority

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Authority's financial information for the year ended June 30, 2023 (most recent year audited) shows the following:

Total Assets	\$ 10,643,462
Total Liabilities	\$ 1,150,272
Total Net Position	\$ 9,493,190
Total Revenues	\$ 1,811,624
Total Expenses	\$ 1,898,646
Long-Term Debt	\$ 682,054

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

COMPONENT UNITS

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

DISCRETELY PRESENTED COMPONENT UNITS

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

BLENDED COMPONENT UNITS

City of Hancock Building Authority

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City does not allocate indirect costs.

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

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

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

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

The City reports the following major governmental funds:

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES

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

The City reports the following proprietary funds:

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major enterprise funds:

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

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

Transit Fund- The Transit Fund accounts for federal and state revenue received for public transportation purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments, on a cost reimbursement basis. The City's Motor Vehicle Fund and Employee Benefit Fund are Internal Service Type Funds.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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

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

Other Accounting Policies

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023, the City's budget had been amended.
5. The City allows all unencumbered and unexpended appropriations to lapse at year end.

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

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

NOTE C - CASH

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

	<u>Governmental</u>	<u>Enterprise Fund</u>	<u>Total</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>
Cash and cash equivalents	\$ 3,121,019	\$ 1,552,523	\$ 4,673,542	\$ 46,606	\$ -
Restricted cash	228,423	774,057	1,002,480	-	5
Total cash	<u>\$ 3,349,442</u>	<u>\$ 2,326,580</u>	<u>\$ 5,676,022</u>	<u>\$ 46,606</u>	<u>\$ 5</u>

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE C - CASH (Continued)

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, 2023, \$1,373,374 of the City’s bank balance of \$5,718,041 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

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

Restricted Cash

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

<u>General Fund</u>		<u>Other Funds</u>		<u>Enterprise Funds</u>	
Main Street Local	\$ 42,969	Cemetery Perpetual	\$ 185,454	Water Fund	\$ 626,055
				Sewer Fund	\$ 148,002

General Fund: Main Street Local Pool: In 1993, funds were received from the Department of Housing and Urban Development to establish a revolving loan pool in cooperation with Main Street Hancock Inc., a current domestic Michigan non-profit corporation. The funds are restricted to be used in the revolving loan program or to further the goals of the original grant in which the funds were received. The \$42,969 represents the balance of the commercial loan program. As of June 30, 2023, 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 \$774,057 as of June 30, 2023. Use of these restricted assets are limited by applicable bond indentures and ordinances.

The Cemetery Perpetual Care Trust balance of \$185,454 is reserved for the perpetual care of cemetery lots.

NOTE D - TRANSFERS AND INTERFUND BALANCES

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

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General fund	\$ 88,013	General fund	\$ 165,000
Transit fund	65,000	DDA fund	68,473
DDA	100,000	Redevelopment	19,540
Total	<u>\$ 253,013</u>	Total	<u>\$ 253,013</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE D - TRANSFERS AND INTERFUND BALANCES (Continued)

The transfers from the General Fund to the Transit and DDA funds represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations. The transfers from the DDA fund to the General Fund was in accordance with budgetary authorizations to contribute to the cost of a shoreline improvement project within the DDA District. The transfers from the Redevelopment Fund to the General Fund were for expenses incurred in the General Fund related to the cleanup of property that was sold and money deposited into the Redevelopment Fund.

Fund	Interfund Receivable	Fund	Interfund Payable
Local Street	\$ 110,000	Transit fund	\$ 26,270
Employee Benefits	45,270	Motor Vehicle Fund	140,000
Sewer Fund	30,000	Water Fund	19,000
Total	<u>\$ 185,270</u>	Total	<u>\$ 185,270</u>

The amount due from the Transit and Water Fund are for fringe benefit costs paid for by the Employee Benefit Fund on behalf of those funds and not yet repaid as of June 30, 2023. The amounts due to the Local Street and Sewer Funds from the Motor Vehicle Fund are for expenditures in the Local Street and Sewer Fund on behalf of the Motor Vehicle Fund and not yet reimbursed by the Motor Vehicle Fund as of June 30, 2023.

NOTE E - CAPITAL ASSETS

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

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated				
Land	\$ 438,896	\$ -	\$ -	\$ 438,896
Construction in progress	322,742	311,233	273,758	360,217
Subtotal	<u>\$ 761,638</u>	<u>\$ 311,233</u>	<u>\$ 273,758</u>	<u>\$ 799,113</u>
Capital assets and intangibles, being depreciated and amortized				
Buildings	3,002,247	\$ -	\$ -	3,002,247
Equipment	1,889,217	37,942	125,413	1,801,746
Improvements	10,863,080	372,040	-	11,235,120
Vehicles	2,293,558	330,272	77,132	2,546,698
Right of use assets, equipment	345,565	22,542	-	368,107
Subtotal	<u>18,393,667</u>	<u>\$ 762,796</u>	<u>\$ 202,545</u>	<u>18,953,918</u>
Accumulated depreciation and amortization				
Building	1,741,879	\$ 67,958	\$ -	1,809,837
Equipment	1,096,741	103,682	125,413	1,075,010
Improvements	3,985,092	510,229	-	4,495,321
Vehicles	1,844,118	65,389	77,132	1,832,375
Right of use assets, equipment	116,152	62,427	-	178,579
Subtotal	<u>8,783,982</u>	<u>\$ 809,685</u>	<u>\$ 202,545</u>	<u>9,391,122</u>
Net capital assets being depreciated	<u>9,609,685</u>			<u>9,562,796</u>
Net capital assets	<u>\$ 10,371,323</u>			<u>\$ 10,361,909</u>

**CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023**

NOTE E - CAPITAL ASSETS (Continued)

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

Depreciation	
General Fund	\$ 176,311
DDA	6,513
Major Streets Fund	363,677
Local Streets Fund	91,517
Motor Vehicle Fund	<u>109,240</u>
	747,258
Amortization	
Motor Vehicle Fund - Right of use	<u>62,427</u>
Total	<u><u>\$ 809,685</u></u>

The components of property, plant, and equipment in City proprietary funds at June 30, 2023 are summarized as follows:

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
TRANSIT FUND				
Capital assets, being depreciated				
Buildings	\$ 716,473	\$ -	\$ -	\$ 716,473
Equipment	43,120	-	-	43,120
Vehicles	466,089	20,122	72,102	414,109
Subtotal	<u>1,225,682</u>	<u>\$ 20,122</u>	<u>\$ 72,102</u>	<u>1,173,702</u>
Accumulated depreciation:				
Buildings	201,507	\$ 17,912	\$ -	219,419
Equipment	43,120	-	-	43,120
Vehicles	333,646	65,418	72,102	326,962
Subtotal	<u>578,273</u>	<u>\$ 83,330</u>	<u>\$ 72,102</u>	<u>589,501</u>
Net capital assets	<u>\$ 647,409</u>			<u>\$ 584,201</u>
SEWER DISPOSAL FUND				
Capital assets, not being depreciated				
Construction in progress	\$ 122,887	\$ 206,152	\$ -	\$ 329,039
Capital assets, being depreciated				
Buildings	\$ 754,725	\$ -	\$ -	\$ 754,725
Vehicles	7,500	-	-	7,500
Furniture and equipment	11,300	-	-	11,300
Utility system	9,549,391	171,143	-	9,720,534
Subtotal	<u>10,322,916</u>	<u>\$ 171,143</u>	<u>\$ -</u>	<u>10,494,059</u>
Accumulated depreciation:				
Buildings	754,726	\$ -	\$ -	754,726
Vehicles	7,500	-	-	7,500
Furniture and equipment	135	1,614	-	1,749
Utility system	5,950,716	141,575	-	6,092,291
Subtotal	<u>6,713,077</u>	<u>\$ 143,189</u>	<u>\$ -</u>	<u>6,856,266</u>
Net capital assets	<u>\$ 3,732,726</u>			<u>\$ 3,966,832</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE E - CAPITAL ASSETS (Continued)

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
WATER SUPPLY FUND				
Capital assets, not being depreciated				
Construction in progress	\$ 33,515	\$ 124,650	\$ -	\$ 158,165
Capital assets, being depreciated				
Buildings	1,700,560	\$ -	\$ -	1,700,560
Equipment	13,382	-	-	13,382
Vehicles	7,500	-	-	7,500
Land	73,500	-	-	73,500
Loan fees/lease	238,496	-	-	238,496
Utility system	18,932,132	-	-	18,932,132
Subtotal	<u>20,965,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,965,570</u>
Accumulated depreciation:				
Buildings	1,645,692	\$ -	\$ -	1,645,692
Equipment	13,381	-	-	13,381
Vehicles	6,500	-	-	6,500
Loan fees/lease	214,720	4,490	-	219,210
Utility system	6,851,780	516,209	-	7,367,989
Subtotal	<u>8,732,073</u>	<u>\$ 520,699</u>	<u>\$ -</u>	<u>9,252,772</u>
Net capital assets	<u>\$ 12,267,012</u>			<u>\$ 11,870,963</u>
	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
DDA FUND				
Capital assets, not being depreciated				
Land	\$ -	\$ 20,242	\$ -	\$ 20,242
Capital assets and intangibles, being depreciated and amortized				
Buildings	-	\$ 87,050	\$ -	87,050
Equipment	-	141,094	-	141,094
Subtotal	<u>-</u>	<u>\$ 228,144</u>	<u>\$ -</u>	<u>228,144</u>
Accumulated depreciation and amortization				
Building	-	\$ 2,324	\$ -	2,324
Equipment	-	1,324	-	1,324
Subtotal	<u>-</u>	<u>\$ 3,648</u>	<u>\$ -</u>	<u>3,648</u>
Net capital assets being depreciated	<u>-</u>			<u>224,496</u>
Net capital assets	<u>\$ -</u>			<u>\$ 224,496</u>

NOTE F - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2023, for the City's governmental funds individual major funds and non-major funds in the aggregate, are as follows:

Payables	Governmental	Enterprise	Total
Accounts payable	\$ 645,528	\$ 360,359	\$ 1,005,887
Accrued expenses	<u>115,351</u>	<u>59,581</u>	<u>174,932</u>
Total	<u>\$ 760,879</u>	<u>\$ 419,940</u>	<u>\$ 1,180,819</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE G - ACCUMULATED UNPAID VACATION AND SICK LEAVE

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

Accumulated unpaid vacation and sick leave at June 30, 2023 was \$85,940 and \$109,579 respectively.

NOTE H - LONG TERM DEBT

GOVERNMENTAL ACTIVITIES

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

Fiscal Year	Principal
2023-2024	\$ 189,034

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

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

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

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

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 30,000	\$ 4,310	\$ 34,310
2024-2025	30,000	3,455	33,455
2025-2026	30,000	2,600	32,600
2026-2027	35,000	1,400	36,400
	\$ 125,000	\$ 11,765	\$ 136,765

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 55,000	\$ 10,735	\$ 65,735
2024-2025	55,000	9,168	64,168
2025-2026	60,000	7,600	67,600
2026-2027	65,000	5,200	70,200
2027-2028	65,000	2,600	67,600
	<u>\$ 300,000</u>	<u>\$ 35,303</u>	<u>\$ 335,303</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 23,000	\$ 10,350	\$ 33,350
2024-2025	24,000	9,775	33,775
2025-2026	24,000	9,175	33,175
2026-2027	25,000	8,575	33,575
2027-2028	25,000	7,950	32,950
2028-2029	26,000	7,325	33,325
2029-2030	27,000	6,675	33,675
2030-2031	27,000	6,000	33,000
2031-2032	28,000	5,324	33,324
2032-2037	153,000	15,750	168,750
2037-2038	32,000	800	32,800
	<u>\$ 414,000</u>	<u>\$ 87,699</u>	<u>\$ 501,699</u>

Superior National Bank: On September 21, 2022 the City of Hancock authorized the purchase of 224 Quincy Street, Hancock, MI with financing through Superior National Bank in the amount of \$100,000. The loan has an interest rate of 4.71% per annum with principal amounts and interest payable annually on August 1.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 18,385	\$ 4,776	\$ 23,161
2024-2025	19,039	3,918	22,957
2025-2026	19,959	2,998	22,957
2026-2027	20,912	2,045	22,957
2027-2028	21,705	1,047	22,752
	<u>\$ 100,000</u>	<u>\$ 14,784</u>	<u>\$ 114,784</u>

**CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023**

NOTE H - LONG TERM DEBT (Continued)

GOVERNMENTAL FUNDS - CAPITAL LEASES

On May 1, 2023 the City leased multiple tasers and recognized a right to use asset of \$24,174. The lease term is 60 months and is non-cancelable. The lease does not include an implicit rate. An interest rate of 3.62% was used based on daily treasury par yield curve rates. Annual payments are \$4,835.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 4,194	\$ 641	\$ 4,835
2025-2026	4,345	490	4,835
2026-2027	4,503	332	4,835
2027-2028	4,665	170	4,835
	<u>\$ 17,707</u>	<u>\$ 1,633</u>	<u>\$ 19,340</u>

ENTERPRISE FUNDS

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 24,000	\$ 25,672	\$ 49,672
2024-2025	25,000	25,042	50,042
2025-2026	25,000	24,386	49,386
2026-2027	26,000	22,370	48,370
2027-2028	27,000	23,048	50,048
2028-2029	27,000	22,339	49,339
2029-2030	28,000	21,630	49,630
2030-2031	29,000	20,895	49,895
2031-2032	30,000	20,134	50,134
2032-2037	160,000	88,594	248,594
2037-2042	185,000	66,281	251,281
2042-2047	210,000	40,687	250,687
2047-2052	182,000	11,996	193,996
	<u>\$ 978,000</u>	<u>\$ 413,074</u>	<u>\$ 1,391,074</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 76,000	\$ 70,371	\$ 146,371
2024-2025	77,000	68,566	145,566
2025-2026	79,000	66,738	145,738
2026-2027	81,000	64,861	145,861
2027-2028	83,000	62,938	145,938
2028-2029	85,000	60,966	145,966
2029-2030	87,000	58,948	145,948
2030-2031	89,000	56,881	145,881
2031-2032	91,000	54,768	145,768
2032-2037	490,000	240,326	730,326
2037-2042	551,000	179,265	730,265
2042-2047	620,000	110,675	730,675
2047-2052	554,000	33,392	587,392
	<u>\$ 2,963,000</u>	<u>\$ 1,128,695</u>	<u>\$ 4,091,695</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 41,000	\$ 43,404	\$ 84,404
2024-2025	42,000	42,315	84,315
2025-2026	43,000	41,200	84,200
2026-2027	44,000	40,058	84,058
2027-2028	46,000	38,876	84,876
2028-2029	47,000	37,655	84,655
2029-2030	48,000	36,408	84,408
2030-2031	49,000	35,135	84,135
2031-2032	51,000	33,823	84,823
2032-2037	274,000	148,182	422,182
2037-2042	312,000	109,781	421,781
2042-2047	355,000	66,086	421,086
2047-2052	322,000	17,248	339,248
	<u>\$ 1,674,000</u>	<u>\$ 690,171</u>	<u>\$ 2,364,171</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - 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, 2011 the full amount of the bond was issued at an interest rate of 2.5% per annum with principal amounts payable April 1 and interest payable semi-annually on October 1 and April 1. Bonds are financed with the Michigan Municipal Bond Authority.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 120,000	\$ 57,250	\$ 177,250
2024-2025	120,000	54,250	174,250
2025-2026	125,000	51,250	176,250
2026-2027	125,000	48,125	173,125
2027-2028	130,000	45,000	175,000
2028-2029	135,000	41,750	176,750
2029-2030	135,000	38,375	173,375
2030-2031	140,000	35,000	175,000
2031-2032	145,000	31,500	176,500
2032-2037	780,000	101,375	881,375
2037-2042	335,000	12,625	347,625
	<u>\$ 2,290,000</u>	<u>\$ 516,500</u>	<u>\$ 2,806,500</u>

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 37,000	\$ 30,678	\$ 67,678
2024-2025	38,000	30,030	68,030
2025-2026	39,000	29,365	68,365
2026-2027	40,000	28,683	68,683
2027-2028	40,000	27,983	67,983
2028-2029	41,000	27,282	68,282
2029-2030	42,000	26,565	68,565
2030-2031	43,000	25,830	68,830
2031-2032	44,000	25,078	69,078
2032-2037	235,000	113,488	348,488
2037-2042	260,000	92,050	352,050
2042-2047	289,000	68,320	357,320
2047-2052	322,000	41,895	363,895
2052-2057	283,000	12,548	295,548
	<u>\$ 1,753,000</u>	<u>\$ 579,795</u>	<u>\$ 2,332,795</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 1,000	\$ 1,155	\$ 2,155
2024-2025	1,000	1,138	2,138
2025-2026	1,000	1,120	2,120
2026-2027	1,000	1,063	2,063
2027-2028	1,000	1,085	2,085
2028-2029	1,000	1,068	2,068
2029-2030	2,000	1,050	3,050
2030-2031	2,000	1,015	3,015
2031-2032	2,000	980	2,980
2032-2037	10,000	4,375	14,375
2037-2042	10,000	3,500	13,500
2042-2047	10,000	2,625	12,625
2047-2052	10,000	1,750	11,750
2052-2057	14,000	770	14,770
	<u>\$ 66,000</u>	<u>\$ 22,694</u>	<u>\$ 88,694</u>

INTERNAL SERVICE FUNDS - INSTALLMENT LOANS

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

<u>Purpose of Note</u>	<u>Date</u>	<u>Original</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>	<u>Current</u>
2011 Sander	4/20/11	\$ 187,000	10/1/26	4.13 %	\$ 34,500	\$ 11,000
2011 Grader	4/20/11	\$ 130,000	4/1/26	4.00 %	\$ 46,500	\$ 15,000
2017 Western Star Sander/Scraper	12/15/16	\$ 145,000	12/15/23	2.49 %	\$ 21,233	\$ 21,233
2019 International Dump Truck	12/20/18	\$ 81,439	12/20/23	3.89 %	\$ 17,414	\$ 17,414
2020 Snow Blower	1/24/2020	\$ 143,773	1/24/25	2.75 %	\$ 59,885	\$ 29,537
2021 Grader	11/23/21	\$ 158,575	7/23/26	1.88 %	\$ 127,066	\$ 31,799
2023 Sander	4/26/23	\$ 192,002	5/1/30	4.40 %	\$ 192,002	\$ 24,000
Total					<u>\$ 498,600</u>	<u>\$ 149,983</u>

INTERNAL SERVICE FUNDS - CAPITAL LEASES

On December 23, 2021 the City leased a 2021 Caterpillar 938M small wheel loader and recognized a right to use asset of \$200,591. The lease term is 72 months with an implicit rate of 2.989% , is non-cancelable, and provides an option to buy the equipment at the end of the lease. Annual payments are \$31,804 with the final payment being \$70,405.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 25,214	\$ 4,423	\$ 29,637
2024-2025	25,968	3,670	29,638
2025-2026	26,744	2,893	29,637
2026-2027	68,185	2,220	70,405
	<u>\$ 146,111</u>	<u>\$ 13,206</u>	<u>\$ 159,317</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

Long-term debt liabilities for governmental activities, are reported in and liquidated through the General, Major and Local Street, Parks and Recreation, Building Authority, Employee Benefits and Motor Vehicle funds for the fiscal year ended June 30, 2023, was as follows:

	Balance July 01, 2022	Increase	Decrease	Balance June 30, 2023	Current Portion
GOVERNMENTAL ACTIVITIES					
Superior National Bank - Fire truck	\$ 39,744	\$ -	\$ -	\$ 39,744	\$ 39,744
MDOT State Infrastructure Bank Loan	378,068	-	189,034	189,034	189,034
2015 Refunding Bond:					
Fire Hall	155,000	-	30,000	125,000	30,000
Public Works Garage	355,000	-	55,000	300,000	55,000
2021 Refunding (2008A and 2008B) Bonds	436,000	-	22,000	414,000	23,000
Superior National Bank - 224 Quincy Street	-	100,000	-	100,000	18,385
Premium on 2015 refunding bond	14,798	-	2,466	12,332	-
Axon taser lease	-	22,542	4,835	17,707	4,194
	<u>1,378,610</u>	<u>122,542</u>	<u>303,335</u>	<u>1,197,817</u>	<u>359,357</u>
INTERNAL SERVICE FUND					
Installment Loans	408,278	192,002	101,680	498,600	149,983
2019 Caterpillar lease	30,334	-	30,334	-	-
2021 Caterpillar lease	170,953	-	24,842	146,111	25,214
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,988,175</u>	<u>\$ 314,544</u>	<u>\$ 460,191</u>	<u>\$ 1,842,528</u>	<u>\$ 534,554</u>
ENTERPRISE FUNDS					
2010 Sanitary Sewage Disposal Bonds	\$ 1,714,000	\$ -	\$ 40,000	\$ 1,674,000	\$ 41,000
2011A Water Supply System Bonds	1,002,000	-	24,000	978,000	24,000
2011B Water Supply System Bonds	3,037,000	-	74,000	2,963,000	76,000
2016A Water Revenue Bond	1,789,000	-	36,000	1,753,000	37,000
2016B Water Revenue Bond	67,000	-	1,000	66,000	1,000
2008 Water Supply System Bond	2,405,000	-	115,000	2,290,000	120,000
TOTAL ENTERPRISE FUNDS	<u>\$ 10,014,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 9,724,000</u>	<u>\$ 299,000</u>
Accrued compensated absences	<u>\$ 193,463</u>	<u>\$ 2,056</u>	<u>\$ -</u>	<u>\$ 195,519</u>	

**CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023**

NOTE H - LONG TERM DEBT (Continued)

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

GOVERNMENTAL ACTIVITIES			
Fiscal Year	Principal	Interest	Total
2023-2024	\$ 355,163	\$ 31,242	\$ 386,405
2024-2025	128,039	26,316	154,355
2025-2026	133,959	22,373	156,332
2026-2027	145,912	17,220	163,132
2027-2028	111,705	11,597	123,302
2028-2029	26,000	7,325	33,325
2029-2030	27,000	6,675	33,675
2030-2031	27,000	6,000	33,000
2031-2032	28,000	5,324	33,324
2032-2037	153,000	15,750	168,750
2037-2042	32,000	800	32,800
	<u>\$ 1,167,778</u>	<u>\$ 150,622</u>	<u>\$ 1,318,400</u>

INTERNAL SERVICE FUNDS			
Fiscal Year	Principal	Interest	Total
2023-2024	\$ 149,983	\$ 16,885	\$ 166,868
2024-2025	114,442	11,983	126,425
2025-2026	86,403	8,320	94,723
2026-2027	57,769	5,439	63,208
2027-2028	29,000	3,960	32,960
2028-2029	30,000	2,684	32,684
2029-2030	31,000	1,364	32,364
	<u>\$ 498,597</u>	<u>\$ 50,635</u>	<u>\$ 549,232</u>

ENTERPRISE FUNDS			
Fiscal Year	Principal	Interest	Total
2023-2024	\$ 299,000	\$ 228,530	\$ 527,530
2024-2025	303,000	221,341	524,341
2025-2026	312,000	214,059	526,059
2026-2027	317,000	205,160	522,160
2027-2028	327,000	198,930	525,930
2028-2029	336,000	191,060	527,060
2029-2030	342,000	182,976	524,976
2030-2031	352,000	174,756	526,756
2031-2032	363,000	166,283	529,283
2032-2037	1,949,000	696,340	2,645,340
2037-2042	1,653,000	463,502	2,116,502
2042-2047	1,484,000	288,393	1,772,393
2047-2052	1,390,000	106,281	1,496,281
2052-2057	297,000	13,318	310,318
	<u>\$ 9,724,000</u>	<u>\$ 3,350,929</u>	<u>\$ 13,074,929</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE I - PENSION PLAN

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

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

Employees covered by benefit terms - At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits (including refunds)	9
Active employees	<u>14</u>
Total employees covered by MERS	<u><u>35</u></u>

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

Net Pension Liability - The City's Net Pension Liability reported as of June 30, 2023 was measured as of December 31, 2022 and was determined by an annual actuarial valuation as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/21	\$ 5,565,035	\$ 3,579,148	\$ 1,985,887
Service cost	111,720	-	111,720
Interest on total pension liability	414,773	-	414,773
Changes in benefits	-	-	-
Difference between expected and actual experience	(41,454)	-	(41,454)
Changes in assumptions	-	-	-
Employer contributions	-	273,181	(273,181)
Employee contributions	-	41,642	(41,642)
Net investment income	-	(391,893)	391,893
Benefit payments, including employee refunds	(326,704)	(326,704)	-
Administrative expense	-	(6,553)	6,553
Other changes	(19,101)	-	(19,101)
Net changes	<u>139,234</u>	<u>(410,327)</u>	<u>549,561</u>
Balances as of 12/31/22	<u><u>\$ 5,704,269</u></u>	<u><u>\$ 3,168,821</u></u>	<u><u>\$ 2,535,448</u></u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE I - PENSION PLAN (Continued)

Actuarial assumptions - The total pension liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.00%	
Salary increases	3.00%	In the long term
Investment rate of return	7.00%	Net of investment and administrative expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2022, the measurement date, for each major asset class summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global equity	60.0%	2.7%
Global fixed income	20.0%	.4%
Private investments	20.0%	1.40%

Discount rate - The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023**

NOTE I - PENSION PLAN (Continued)

	1%	Current	1%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
Net pension liability of the City	\$ 3,227,755	\$ 2,535,448	\$ 1,958,678

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

Pension expense and deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pensions - For the year ended June 30, 2023 the City recognized pension expense of \$311,002. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences in experience	\$ 75,729	\$ 82,958
Differences in assumptions	317,014	-
Excess (deficit) investment returns	727,245	320,674
Contributions subsequent to the measurement date	167,700	-
Total	<u>\$ 1,287,688</u>	<u>\$ 403,632</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2024.

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

<u>Year ended</u>	<u>Amount</u>
2023	\$ 227,032
2024	162,995
2025	109,287
2026	84,402
2027	132,637
	<u>\$ 716,353</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE J - ENTERPRISE FUNDS - SEGMENT INFORMATION

The City maintains three Enterprise Funds which provide water, sewer, and transit services. Segment information for the year ended June 30, 2023 is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Transit</u>
Operating revenues	\$ 1,049,015	\$ 1,183,706	\$ 291,192
Depreciation	\$ 143,189	\$ 520,699	\$ 83,330
Income (loss) from operations	\$ 238,486	\$ (71,507)	\$ (185,573)
Non-operating revenues (expenses)	\$ (35,212)	\$ (188,660)	\$ 20,139
Capital contributions and transfers	\$ 164,404	\$ 151,784	\$ 65,000
Net income (loss)	\$ 367,678	\$ (108,383)	\$ (100,434)
Property, plant & equipment additions	\$ 377,295	\$ 124,650	\$ 20,122
 Assets			
Current assets	\$ 2,053,690	\$ 854,127	\$ 30,251
Capital assets - net	\$ 3,966,832	\$ 11,870,963	\$ 584,201
Total assets	\$ 6,050,522	\$ 12,725,090	\$ 614,452
Deferred outflow of resources	\$ 52,957	\$ 54,785	\$ 63,422
 Liabilities and net position			
Current liabilities	\$ 270,189	\$ 430,488	\$ 18,263
Due to other funds	\$ -	\$ 19,000	\$ 26,270
Long term liabilities	\$ 1,741,151	\$ 7,904,869	\$ 120,784
Total liabilities	\$ 2,031,005	\$ 8,373,822	\$ 177,344
Deferred inflows of resources	\$ 15,250	\$ 16,170	\$ 14,015
Net investment in capital assets	\$ 2,292,832	\$ 3,820,963	\$ 584,201
Restricted net position	\$ 148,002	\$ 626,055	\$ -
Unrestricted net position	\$ 1,616,390	\$ (57,135)	\$ (97,686)
Total net position	\$ 4,057,224	\$ 4,389,883	\$ 486,515
 Net cash provided (used) by:			
Operating activities	\$ 599,668	\$ 458,138	\$ (94,341)
Noncapital financing activities	\$ (30,000)	\$ 19,000	\$ 91,270
Capital & related financing activities	\$ (290,877)	\$ (412,717)	\$ -
Investing activities	\$ 2,775	\$ 1,191	\$ 17
Beginning cash	\$ 1,395,839	\$ 582,599	\$ 4,018
Ending cash	\$ 1,677,405	\$ 648,211	\$ 964

NOTE K - RESERVES AND RESTRICTED ASSETS

Water Fund

2011A and 2011B Water Supply System Revenue Bonds

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE K - RESERVES AND RESTRICTED ASSETS (Continued)

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

2016A and 2016B Water Supply System Revenue Bonds

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

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

Junior Lien Bond and Interest Redemption Account - Quarterly transfers are to be made equal to $\frac{1}{2}$ of the next interest payment due plus $\frac{1}{4}$ of the next principal payment due.

Repair and Replacement Account - Quarterly transfers are to be made in the sum of not less than \$10,050.50, with the annual requirement equal to \$40,202.

Sewer Fund

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

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

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to $\frac{1}{2}$ of the next interest payment due plus $\frac{1}{4}$ of the next principal payment due.

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

At June 30, 2023, the City had established these accounts and had restricted cash, as required, as follows:

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE K - RESERVES AND RESTRICTED ASSETS (Continued)

	<u>Required</u>	<u>Amount Funded</u>
Water Fund		
<u>2011A and 2011B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 196,900	\$ 196,900
Repair and Replacement Account	129,822	129,822
Bond and Interest Redemption Account	48,486	48,486
	<u>\$ 375,208</u>	<u>\$ 375,208</u>
 <u>2016A and 2016B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 54,600	\$ 54,600
Repair and Replacement Account	178,789	178,789
Bond and Interest Redemption Account	17,458	17,458
	<u>\$ 250,847</u>	<u>\$ 250,847</u>
 Sewer Fund		
<u>2010 Sewage Disposal System Revenue Bonds</u>		
Bond Reserve Account	\$ 85,440	\$ 85,440
Repair and Replacement Account	41,576	41,576
Bond and Interest Redemption Account	20,986	20,986
	<u>\$ 148,002</u>	<u>\$ 148,002</u>

NOTE L - TRANSIT FUND

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

The following are required Michigan Department of Transportation disclosures:

- Management provides assurance that the City of Hancock Transit has one approved cost allocation plan, which was adhered to in the preparation of the City of Hancock's financial statements.
- The methodology used for compiling miles and other nonfinancial information used to allocate costs has been reviewed and the recording method has been found to be adequate and reliable.
- The depreciation expense reported in 51300 equals the ineligible depreciation reported in 55007. Therefore, the depreciation assurance regarding approval of useful life is not required.
- No operating expenses are subtracted out as ineligible because no capital money was used to pay for operating expenses.
- The Hancock Transit has not received auxiliary or non-transportation revenue.
- Pension costs incurred for the defined benefit retirement plan administered by MERS were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in STEP 6 of the guide is \$311,002. Of this amount (\$271) was expensed on the books of the Transit Fund and \$0 was reported on line 50200 Fringes.
- The Transit Fund did not incur, nor pay, any 50201 pension costs or 50202 other post-employment benefits.

The Department of Transportation required schedules are located on pages 71 through 75.

NOTE M - TAX INCREMENT FINANCING

The City approved the Downtown Development District and Tax Increment Financing Plan (DDA TIF) dated September 1984. December 17, 2014 an amendment was approved by the City to extend the life of the 1993 Amendment Plan to terminate upon the collections of the last taxes levied for the year 2044. The DDA TIF is a plan to prevent further deterioration and to encourage historic preservation and economic growth in the Downtown District. The DDA TIF Plan is allowed by Michigan Public Act 197 of 1975 (Act 197). The primary purpose of Act 197 is to encourage the marketing and promotion of the Downtown District, historic preservation, catalytic projects and infrastructure improvement projects (streetscapes, lighting, parks, etc.). Tax increment financing is eligible for certain eligible activities. The amount of taxes foregone by the City during the fiscal year was \$249,742.

NOTE N - RELATED PARTY TRANSACTIONS

The Portage Lake Water and Sewage Authority is a jointly governed organization consisting of five members, of which two are appointed by the respective City Councils of Houghton and Hancock, and the fifth member appointed by the other four members. The entity is not a component unit of the City. Further financial information is detailed in Note A of these financial statements. As of June 30, 2023, The Portage Lake Water and Sewage Authority owed the City \$1,923, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due from other governmental units.

NOTE O - RISK MANAGEMENT

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

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2023 will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE P - UNRESTRICTED NET POSITION/FUND BALANCE DEFICIT

In accordance with Public Act 140 of 1970, the City is required to file a deficit elimination plan for all funds that have a deficit at the end of the fiscal year.

For purposes of determining if a fund is in a deficit position, the Michigan Department of Treasury's Local Audit and Finance Division issued Numbered Letter 2016-1. For governmental funds, "unrestricted fund balance" is the sum of the Committed, Assigned, and Unassigned balances.

For proprietary funds, fiduciary funds, and discretely presented component units the Michigan Department of Treasury created a deficit test for determining if a fund is in a deficit position and the deficit amount for which a deficit elimination plan must be submitted. The test is summarized on the next page.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE P - UNRESTRICTED NET POSITION/FUND BALANCE DEFICIT (Continued)

Step 1: Does the “unrestricted net position” or “total net position” have a deficit? If both are “no”, no plan is necessary. If one is “yes”, is the “deferred inflows of resources minus taxes and special assessments receivable” greater than either deficit? If “yes”, no plan is necessary. If “no”, proceed to Step 2.

Step 2: Calculated current assets minus current liabilities. For this calculation, current liabilities should not include the current portion of long-term obligations. If the answer is positive, no plan is necessary. If the answer is negative, proceed to Step 3.

Step 3: Compare A) the larger deficit between the “unrestricted net position” and the “total net position”, and B) current assets minus current liabilities.

Step 4: Submit a plan to eliminate the smaller deficit between A and B.

Based on performing the deficit test it was determined that the Water Fund is not required to file a deficit elimination plan with the Michigan Department of Treasury. However, the Transit and Motor Vehicle Fund are required to file a deficit elimination plan in the amount of \$14,282 and \$1,492 respectively for the year ending June 30, 2023, with the Michigan Department of Treasury.

NOTE Q - SUBSEQUENT EVENTS

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

- On May 5, 2021 the City was awarded an Economic Adjustment Assistance grant for the development of a business and technology park. The grant will pay for 80% of project costs with a 20% match required from the City. The total cost of the project is estimated to be \$3,330,140 with the grant covering \$2,664,112 of project costs and the remaining costs to be paid for by the City. The project began in the 2021-22 fiscal year and will continue into the 2023-24 fiscal year.
- On February 7, 2023 the City was awarded a grant from the Michigan Economic Development Corporation in the amount of \$25,000 to provide funding that supports the redevelopment of small businesses. The project is expected to take place during the 2023-24 fiscal year end.
- On June 9, 2023 the City was awarded a grant from the Michigan Economic Development Corporation in the amount of \$25,000 to provide funding that supports the redevelopment of small businesses. The project is expected to take place during the 2023-24 fiscal year end.
- On June 29, 2023 the City was awarded a \$20,300 grant from the USDA for the purchase of a 2023 F250 super duty pickup truck. The truck was purchased on July 19, 2023 for a total of \$57,124. The City was responsible for paying the amount in excess of the grant funds.
- On June 29, 2023 the City was awarded \$20,300 from USDA for the purchase of a pick up truck. The total cost of the pick up truck is expected to be \$37,030. The City will be responsible for paying the remaining \$16,730 not covered by the grant.
- On July 19, 2023 the City approved the replacement of the department of public works building roof in the amount of \$115,000.
- On July 19, 2023 the City approved the construction of a new salt barn at a cost of \$570,000. On September 20, 2023 the City approved a change order in the amount of \$169,362 bringing the total cost of the salt barn to \$739,362. The Michigan department of transportation will cover 80% of the costs with the City providing the remaining 20%. Construction on the salt barn will continue into the next fiscal year.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE Q - SUBSEQUENT EVENTS (Continued)

- On August 16, 2023 the City approved the surfacing of Poplar Street in the amount of \$115,070.
- On August 16, 2023 the City approved a sewer improvement project in the amount of \$865,163.
- On September 6, 2023 the City approved the purchase of Quincy Green for \$140,000 and the Ryan Street Community Garden for \$27,000.
- On September 8, 2023, the City was awarded \$50,000 from USDA for the purchase of a vactor truck that was paid bought on June 29, 2022 in the amount of \$250,000.
- On September 8, 2023, the City was awarded \$50,000 from USDA for the purchase of a dump truck sander that was bought on March 17, 2023 in the amount of \$192,002.
- On November 8, 2023 the City purchased a snow plow in the amount of \$24,808.

NOTE R - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, Accounting Changes and Error Corrections, which improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences under a unified model. Liabilities for compensated absences will be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring leave liabilities that have not been used. The statement also updates disclosure requirements. This statement is effective for the year ending June 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HANCOCK
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Property taxes	\$ 1,749,223	\$ 1,703,955	\$ 1,699,033	\$ (4,922)
Licenses & permits	40,000	47,476	48,626	1,150
State sources	795,645	893,150	835,853	(57,297)
Federal sources	171,256	392,500	292,701	(99,799)
Charges for services	443,850	449,175	463,177	14,002
Interest income	3,050	2,850	3,210	360
Other revenues	52,500	73,545	91,073	17,528
Total revenues	<u>3,255,524</u>	<u>3,562,651</u>	<u>3,433,673</u>	<u>(128,978)</u>
Expenditures				
Council	21,649	39,577	38,694	883
City manager	91,553	102,089	99,849	2,240
Clerk	52,213	71,057	64,569	6,488
Treasurer	41,100	37,089	34,578	2,511
Accounting	35,800	27,960	24,140	3,820
Assessor	38,820	49,006	48,046	960
Planning	9,590	110,000	110,570	(570)
Elections	20,443	41,168	40,860	308
Building and grounds	112,237	127,518	125,398	2,120
Cemetery	84,740	71,514	76,695	(5,181)
Public safety	1,199,946	1,448,537	1,408,199	40,338
Public works	299,564	292,471	308,874	(16,403)
Recreation and culture	545,585	827,030	776,467	50,563
Sanitation	231,555	253,329	259,758	(6,429)
Debt service	230,100	189,034	189,034	-
Other	65,364	60,990	64,345	(3,355)
Total expenditures	<u>3,080,259</u>	<u>3,748,369</u>	<u>3,670,076</u>	<u>78,293</u>
Excess (deficiency) of revenues over expenditures	175,265	(185,718)	(236,403)	(50,685)
Other financing sources (uses)				
Proceeds on sale of assets	-	1,650	1,650	-
Proceeds from the sale of long-term notes/loans	-	-	100,000	100,000
Proceeds from leases	-	-	22,542	22,542
Operating transfers in (out)	(80,552)	2,000	(76,987)	(78,987)
Total other financing sources (uses)	<u>(80,552)</u>	<u>3,650</u>	<u>47,205</u>	<u>43,555</u>
Net change in fund balances	<u>\$ 94,713</u>	<u>\$ (182,068)</u>	(189,198)	<u>\$ (7,130)</u>
Fund balances - Beginning of year			<u>1,684,162</u>	
Fund balances - End of year			<u>\$ 1,494,964</u>	

CITY OF HANCOCK
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
State sources	\$ 833,046	\$ 936,218	\$ 866,244	\$ (69,974)
Federal sources	760,000	210,522	175,273	(35,249)
Interest income	500	800	1,021	221
Total revenues	<u>1,593,546</u>	<u>1,147,540</u>	<u>1,042,538</u>	<u>(105,002)</u>
Expenditures				
General administration	18,125	21,683	20,409	1,274
Highways and streets:				
Construction	952,300	365,152	314,398	50,754
State trunkline maintenance	346,458	360,276	315,688	44,588
Routine maintenance	53,000	58,251	41,941	16,310
Traffic services	21,400	12,660	9,596	3,064
Snow and ice control	185,000	235,055	181,740	53,315
Sweeping and flushing	4,180	8,464	15,023	(6,559)
Total expenditures	<u>1,580,463</u>	<u>1,061,541</u>	<u>898,795</u>	<u>162,746</u>
Excess (deficiency) of revenues over expenditures	<u>13,083</u>	<u>85,999</u>	143,743	<u>57,744</u>
Net change in fund balances	<u>\$ 13,083</u>	<u>\$ 85,999</u>	143,743	<u>\$ 57,744</u>
Fund balances - Beginning of year			<u>551,206</u>	
Fund balances - End of year			<u>\$ 694,949</u>	

CITY OF HANCOCK
SCHEDULE OF CHANGES IN THE CITY NET
PENSION LIABILITY AND RATIOS
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability									
Service cost	\$ 111,720	\$ 98,573	\$ 87,681	\$ 87,443	\$ 80,168	\$ 67,495	\$ 60,533	\$ 64,222	\$ 51,865
Interest	414,773	382,187	353,025	352,689	333,217	316,010	288,232	259,977	240,815
Changes in benefits	-	-	(12,188)	-	-	-	-	-	-
Difference between expected and actual experience	(41,454)	38,799	49,442	(103,760)	65,732	36,297	146,857	(1,568)	-
Changes in assumptions	-	209,237	184,197	169,969	-	-	-	229,010	-
Benefit payments, including refunds	(326,704)	(286,513)	(281,269)	(258,734)	(219,984)	(202,111)	(101,645)	(94,628)	(38,562)
Other changes	(19,101)	-	-	-	-	-	-	-	1
Net change in total pension liability	<u>139,234</u>	<u>442,283</u>	<u>380,888</u>	<u>247,607</u>	<u>259,133</u>	<u>217,691</u>	<u>393,977</u>	<u>457,013</u>	<u>254,119</u>
Total pension liability - beginning of year	<u>5,565,035</u>	<u>5,122,752</u>	<u>4,741,864</u>	<u>4,494,257</u>	<u>4,235,124</u>	<u>4,017,433</u>	<u>3,623,456</u>	<u>3,166,443</u>	<u>2,912,324</u>
Total pension liability - end of year	<u>\$ 5,704,269</u>	<u>\$ 5,565,035</u>	<u>\$ 5,122,752</u>	<u>\$ 4,741,864</u>	<u>\$ 4,494,257</u>	<u>\$ 4,235,124</u>	<u>\$ 4,017,433</u>	<u>\$ 3,623,456</u>	<u>\$ 3,166,443</u>
Plan fiduciary net position									
Contributions - employer	273,181	232,888	189,750	180,521	125,627	103,116	113,009	82,780	73,738
Contributions - employee	41,642	39,216	27,108	24,547	22,280	22,597	25,626	22,463	21,525
Net investment income	(391,893)	426,723	397,109	344,908	(105,656)	327,073	255,606	(34,273)	132,353
Administrative expenses	(6,553)	(5,050)	(5,681)	(5,944)	(5,272)	(5,180)	(5,042)	(4,966)	(4,894)
Benefit payments, including refunds	(326,704)	(286,513)	(281,269)	(258,734)	(219,984)	(202,111)	(101,645)	(94,628)	(38,562)
Net change in plan fiduciary net position	<u>(410,327)</u>	<u>407,264</u>	<u>327,017</u>	<u>285,298</u>	<u>(183,005)</u>	<u>245,495</u>	<u>287,554</u>	<u>(28,624)</u>	<u>184,160</u>
Plan fiduciary net position - beginning of year	<u>3,579,148</u>	<u>3,171,884</u>	<u>2,844,867</u>	<u>2,559,569</u>	<u>2,742,574</u>	<u>2,497,079</u>	<u>2,209,525</u>	<u>2,238,149</u>	<u>2,053,989</u>
Plan fiduciary net position - end of year	<u>\$ 3,168,821</u>	<u>\$ 3,579,148</u>	<u>\$ 3,171,884</u>	<u>\$ 2,844,867</u>	<u>\$ 2,559,569</u>	<u>\$ 2,742,574</u>	<u>\$ 2,497,079</u>	<u>\$ 2,209,525</u>	<u>\$ 2,238,149</u>
City's net pension liability - ending	<u>\$ 2,535,448</u>	<u>\$ 1,985,887</u>	<u>\$ 1,950,868</u>	<u>\$ 1,896,997</u>	<u>\$ 1,934,688</u>	<u>\$ 1,492,550</u>	<u>\$ 1,520,354</u>	<u>\$ 1,413,931</u>	<u>\$ 928,294</u>
Plan fiduciary net position as a percent of total pension	55.55 %	64.31 %	61.92 %	59.99 %	56.95 %	64.76 %	62.16 %	60.98 %	70.68 %
Covered employee payroll	\$ 826,332	\$ 779,230	\$ 753,920	\$ 784,244	\$ 736,838	\$ 634,354	\$ 618,951	\$ 696,554	\$ 562,531
City's net pension liability as a percent of covered employee	306.83 %	254.85 %	258.76 %	241.89 %	262.57 %	235.29 %	245.63 %	202.99 %	165.02 %

CITY OF HANCOCK
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 234,294	\$ 191,493	\$ 178,961	\$ 162,521	\$ 125,627	\$ 103,116	\$ 113,009	\$ 82,780	\$ 73,738
Contributions in relation to the actuarially determined contributions	<u>273,181</u>	<u>232,888</u>	<u>189,750</u>	<u>180,521</u>	<u>125,627</u>	<u>103,116</u>	<u>113,009</u>	<u>82,780</u>	<u>73,738</u>
Contribution deficiency (excess)	<u><u>\$ (38,887)</u></u>	<u><u>\$ (41,395)</u></u>	<u><u>\$ (10,789)</u></u>	<u><u>\$ (18,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 826,332	\$ 779,230	\$ 753,920	\$ 784,244	\$ 736,838	\$ 634,354	\$ 618,951	\$ 696,554	\$ 562,531
Contributions as a percentage of covered-employee payroll	33.06 %	29.89 %	25.17 %	23.02 %	17.05 %	16.26 %	18.26 %	11.88 %	13.11 %

CITY OF HANCOCK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2023

NOTE A - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATE

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	5 years smoothed
Inflation	2.5%
Salary increases	3.0%
Investment rate of return	7.00%
Retirement age	60 years
Mortality	Pub-2010 - fully generational MP-2019

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

CITY OF HANCOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2023

	<u>Local Street</u>	<u>Redevelopment</u>	<u>Park & Recreation Fund</u>	<u>Building Authority</u>	<u>Development</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
Assets							
Cash and cash equivalents	\$ 360,126	\$ 80,319	\$ 28,558	\$ 1,656	\$ 106,864	\$ -	\$ 577,523
Restricted cash	-	-	-	-	-	185,454	185,454
Due from other funds	110,000	-	-	-	-	-	110,000
Due from government units	215,387	-	-	-	-	-	215,387
Inventories	1,237	-	-	-	-	-	1,237
Total assets	<u>\$ 686,750</u>	<u>\$ 80,319</u>	<u>\$ 28,558</u>	<u>\$ 1,656</u>	<u>\$ 106,864</u>	<u>\$ 185,454</u>	<u>\$ 1,089,601</u>
Liabilities							
Accounts payable	\$ 7,739	\$ -	\$ 9,945	\$ -	\$ -	\$ -	\$ 17,684
Accrued expenses	1,034	-	-	-	-	-	1,034
Total liabilities	<u>8,773</u>	<u>-</u>	<u>9,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,718</u>
Fund balances							
Restricted	677,977	80,319	18,613	1,656	106,864	185,454	1,070,883
Total fund balances	<u>677,977</u>	<u>80,319</u>	<u>18,613</u>	<u>1,656</u>	<u>106,864</u>	<u>185,454</u>	<u>1,070,883</u>
Total liabilities and fund balances	<u>\$ 686,750</u>	<u>\$ 80,319</u>	<u>\$ 28,558</u>	<u>\$ 1,656</u>	<u>\$ 106,864</u>	<u>\$ 185,454</u>	<u>\$ 1,089,601</u>

CITY OF HANCOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2023

	<u>Local Street</u>	<u>Redevelopment</u>	<u>Park & Recreation Fund</u>	<u>Building Authority</u>	<u>Development</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
Revenues							
Property taxes	\$ 155,839	\$ -	\$ 100,272	\$ -	\$ -	\$ -	\$ 256,111
State sources	296,914	-	-	-	-	-	296,914
Interest income	749	5	63	-	-	308	1,125
Reimbursements	-	-	9,842	-	-	-	9,842
Rentals	-	-	-	135,368	-	-	135,368
Miscellaneous income	-	64,731	-	-	16,933	-	81,664
Total revenues	<u>453,502</u>	<u>64,736</u>	<u>110,177</u>	<u>135,368</u>	<u>16,933</u>	<u>308</u>	<u>781,024</u>
Expenditures							
General administration	14,310	-	-	-	-	-	14,310
Recreation and culture	-	-	91,722	-	-	-	91,722
Public works	319,617	-	-	-	-	-	319,617
Debt service	-	-	-	135,363	-	-	135,363
Total expenditures	<u>333,927</u>	<u>-</u>	<u>91,722</u>	<u>135,363</u>	<u>-</u>	<u>-</u>	<u>561,012</u>
Excess (deficiency) of revenues over expenditures	119,575	64,736	18,455	5	16,933	308	220,012
Other financing sources (uses)							
Operating transfers in (out)	-	(19,540)	-	-	-	-	(19,540)
Total other financing sources (uses)	<u>-</u>	<u>(19,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,540)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	119,575	45,196	18,455	5	16,933	308	200,472
Fund balances - Beginning of year	<u>558,402</u>	<u>35,123</u>	<u>158</u>	<u>1,651</u>	<u>89,931</u>	<u>185,146</u>	<u>870,411</u>
Fund balances - End of year	<u>\$ 677,977</u>	<u>\$ 80,319</u>	<u>\$ 18,613</u>	<u>\$ 1,656</u>	<u>\$ 106,864</u>	<u>\$ 185,454</u>	<u>\$ 1,070,883</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING NET POSITION
June 30, 2023

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 135,688	\$ 1,425	\$ 137,113
Accounts receivable	-	500	500
Due from other funds	45,270	-	45,270
Inventories	-	37,800	37,800
Prepaid expenses	-	25,937	25,937
Capital assets - net	-	1,146,844	1,146,844
Total assets	<u>180,958</u>	<u>1,212,506</u>	<u>1,393,464</u>
Deferred outflows of resources - pension	-	20,321	20,321
Liabilities			
Accounts payable	9,833	56,801	66,634
Accrued expenses	7,490	3,513	11,003
Accrued interest payable	-	6,840	6,840
Due to other funds	-	140,000	140,000
Lease payable, current	-	41,317	41,317
Net pension liability	-	25,214	25,214
Current maturities	-	149,983	149,983
Lease payable	-	120,898	120,898
Notes payable	-	348,616	348,616
Total liabilities	<u>17,323</u>	<u>893,182</u>	<u>910,505</u>
Deferred inflows of resources - pension	-	8,017	8,017
Net position			
Net investment in capital assets	-	486,030	486,030
Unrestricted	163,635	(154,402)	9,233
Total net position	<u>\$ 163,635</u>	<u>\$ 331,628</u>	<u>\$ 495,263</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year Ended June 30, 2023

	<u>Employee</u> <u>Benefits</u>	<u>Motor Vehicle</u> <u>Fund</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 983,601	\$ 600,192	\$ 1,583,793
Other revenues	-	1,787	1,787
Total operating revenues	<u>983,601</u>	<u>601,979</u>	<u>1,585,580</u>
Operating expenses			
General administration	-	3,532	3,532
Garage maintenance	-	106,858	106,858
Operations and maintenance	-	416,958	416,958
Depreciation	-	171,667	171,667
Benefit payments:			
Payroll taxes	24,336	-	24,336
Retirement plan expense	155,124	-	155,124
Holiday pay	51,008	-	51,008
Sickpay/personal leave	18,687	-	18,687
Vacation pay	58,959	-	58,959
Workers' compensation insurance	108,338	-	108,338
Hospitalization insurance	430,350	-	430,350
Employee life insurance	206	-	206
Longevity pay	84,809	-	84,809
Other	23,851	-	23,851
Total operating expenses	<u>955,668</u>	<u>699,015</u>	<u>1,654,683</u>
Operating income (loss)	<u>27,933</u>	<u>(97,036)</u>	<u>(69,103)</u>
Non-operating revenues (expenses)			
Gain on sale of assets	-	20,500	20,500
Interest income	44	-	44
Interest expense	-	(10,040)	(10,040)
Federal sources	-	-	-
Total non-operating revenues (expenses)	<u>44</u>	<u>10,460</u>	<u>10,504</u>
Net income (loss)	27,977	(86,576)	(58,599)
Net Position- Beginning of year	<u>135,658</u>	<u>418,204</u>	<u>553,862</u>
Net Position - End of year	<u>\$ 163,635</u>	<u>\$ 331,628</u>	<u>\$ 495,263</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOW
Year Ended June 30, 2023

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 983,601	\$ 601,479	\$ 1,585,080
Payments to suppliers	(889,495)	(712,606)	(1,602,101)
Payments to employees	(93,465)	(87,591)	(181,056)
Net cash provided by operating activities	<u>641</u>	<u>(198,718)</u>	<u>(198,077)</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	<u>(45,270)</u>	<u>140,000</u>	<u>94,730</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	-	(288,045)	(288,045)
Principal paid on capital debt	-	(119,199)	(119,199)
Interest paid on capital debt	-	(10,400)	(10,400)
Loan proceeds	-	192,002	192,002
Proceeds from sale of assets	-	20,500	20,500
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(205,142)</u>	<u>(205,142)</u>
Cash flows from investing activities			
Interest and dividends	<u>44</u>	<u>-</u>	<u>44</u>
Net (decrease) in cash	(44,585)	(263,860)	(308,445)
Balances - beginning of the year	180,273	265,285	445,558
Balances - end of the year	<u>\$ 135,688</u>	<u>\$ 1,425</u>	<u>\$ 137,113</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 27,933	\$ (97,036)	\$ (69,103)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	171,667	171,667
Change in assets and liabilities:			
Receivables, net	-	(500)	(500)
Deferred outflows and inflows	-	(7,766)	(7,766)
Inventory	-	226	226
Prepaid expenses	-	(6,567)	(6,567)
Net pension liability	-	(29,961)	(29,961)
Accounts and other payables	(30,823)	(228,048)	(258,871)
Accrued expenses	3,531	(733)	2,798
Net cash provided by operating activities	<u>\$ 641</u>	<u>\$ (198,718)</u>	<u>\$ (198,077)</u>

CITY OF HANCOCK
TRANSIT FUND SUPPLEMENTAL INFORMATION
June 30, 2023

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING REVENUE
Year Ended June 30, 2023

	07/01/22 through 09/30/22	10/01/22 through 06/30/23	Total
Farebox receipts - passenger fares*	\$ 14,434	\$ 57,848	\$ 72,282
State Operating Assistance**	29,164	105,819	134,983
Federal Section 5311	-	-	-
Federal RTAP	-	-	-
Local Operating Assistance****	-	63,000	63,000
Cares act***	33,345	-	33,345
Gains from sale of capital assets	-	-	-
Refunds and credits	-	-	-
ARP act***	-	110,149	110,149
Interest Income	4	13	17
Total Operating Revenue	\$ 76,947	\$ 336,829	\$ 413,776

	10/01/21 through 06/30/22	07/01/22 through 09/30/22	Total
Farebox receipts - passenger fares	\$ 38,864	\$ 14,434	\$ 53,298
State Operating Assistance	90,212	29,164	119,376
Federal Section 5311	-	-	-
Federal RTAP	-	-	-
Local Operating Assistance	25,000	-	25,000
Cares act	99,336	33,345	132,681
Gains from sale of capital assets	3,270	-	3,270
Refunds and credits	-	-	-
Interest Income	24	4	28
Total Operating Revenue	\$ 256,706	\$ 76,947	\$ 333,653

- * Farebox Receipts are \$525 lower than what's reported on page 24 due to a receivable included on page 24 and not on the quarterly reports.
- ** State Operating Assistance above, is \$22,363 higher than what's reported on page 24 because the amount received and included on page 24 is based on what was actually received which is the State provided percentage of budgeted expenses. However, the amount that's reported on the quarterly reports above, is based on the State provided percentage of actual expenses, which were higher than budget expenses.
- *** Cares act and ARP act revenue above, is \$37,729 higher than what's reported on page 24 as federal revenue because the amount received and included on page 24 is based on what was actually received which is the contract approved percentage of budgeted expenses. However, the amount reported on the quarterly reports above, is based on the contract approved percentage of actual expenses, which were higher than budgeted expenses.
- **** Transfers above are \$2,000 less than what's reported on page 24 due to reclassifications to transfers after the filing of the quarterly report.

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
Year Ended June 30, 2023

	7/1/2022 to <u>9/30/2022</u>	10/1/2022 to <u>6/30/2023</u>	<u>Total</u>
Labor:			
Wages - operations	\$ 25,896	\$ 98,527	\$ 124,423
Other salaries and wages	11,262	43,220	54,482
Dispatchers wages	4,440	13,585	18,025
Fringe benefits	20,988	75,184	96,172
Pension DC	2,815	10,749	13,564
Services:			
Advertising	-	796	796
Audit costs	-	3,795	3,795
Other	740	5,540	6,280
Materials and supplies:			
Fuel and lubricants	12,118	36,303	48,421
Tires and tubes	1,929	2,242	4,171
Major Supplies	1,554	-	1,554
Other	-	4,975	4,975
Utilities	1,269	7,579	8,848
Insurance	-	2,564	2,564
Operating lease and rentals	-	-	-
Miscellaneous expense:			
Travel, meetings, and training	-	312	312
Dues & Subscriptions	350	700	1,050
RTAP	-	-	-
Other	-	-	-
Depreciation	-	-	-
	<u>83,361</u>	<u>306,071</u>	<u>389,432</u>
Less:			
Ineligible expenses - dues	-	103	103
Ineligible expenses - refunds	-	-	-
Ineligible expenses - pension	-	-	-
Ineligible expenses - RTAP	-	-	-
Depreciation	-	-	-
	<u>\$ 83,361</u>	<u>\$ 305,968</u>	<u>\$ 389,329</u>

Total expenses in the amount of \$389,432 are less than total operating expenses on page 24 by \$87,333. Of this amount, adjustments were made to the general ledger after the filing of the quarterly OAR reports. The adjustments include depreciation expense of \$83,330, accrued expenses of \$4,272 and GASB 68 related adjustments of (\$271). The remaining difference of \$2 is due to rounding.

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
Reporting period October 1, 2021 through September 30, 2022

	10/1/2021 to <u>6/30/2022</u>	07/01/2022 to <u>09/30/2022</u>	<u>Total</u>
Labor:			
Wages - operations	\$ 84,295	\$ 25,896	\$ 110,191
Other salaries and wages	40,949	11,262	52,211
Dispatchers wages	9,439	4,440	13,879
Fringe benefits	50,773	20,988	71,761
Pension DC	9,426	2,815	12,241
Services:			
Advertising	403	-	403
Audit costs	-	-	-
Other	17,318	740	18,058
Materials and supplies:			
Fuel and lubricants	29,427	12,118	41,545
Tires and tubes	2,060	1,929	3,989
Major Supplies	4,742	1,554	6,296
Other	-	-	-
Utilities	8,144	1,269	9,413
Insurance	297	-	297
Operating lease and rentals	-	-	-
Miscellaneous expense:			
Printing and publishing	-	-	-
Dues & Subscriptions	700	350	1,050
RTAP	-	-	-
Other	-	-	-
Depreciation	-	-	-
	<u>257,973</u>	<u>83,361</u>	<u>341,334</u>
Less:			
Ineligible expenses - dues	117	-	117
Ineligible expenses - refunds	3,270	-	3,270
Ineligible expenses - pension	-	-	-
Ineligible expenses - RTAP	-	-	-
Depreciation	-	-	-
	<u>\$ 254,586</u>	<u>\$ 83,361</u>	<u>\$ 337,947</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANCE
Year Ended June 30, 2023

<u>NON URBAN AREAS</u>	<u>07/01/22 through 09/30/22</u>	<u>10/01/22 through 06/30/23</u>	<u>Total</u>
STATE OF MICHIGAN			
Total Eligible Expenses	\$ 83,361	\$ 305,968	<u>\$ 389,329</u>
Reimbursement Rate %	<u>34.9854 %</u>	<u>34.9854 %</u>	
Eligible operating assistance*	<u>\$ 89,068</u>	<u>\$ 107,044</u>	<u>\$ 196,112</u>
FEDERAL SECTION 5311			
Total Eligible Expenses	\$ 83,361	\$ 305,968	<u>\$ 389,329</u>
Reimbursement Rate %	<u>18.0000 %</u>	<u>18.0000 %</u>	
Eligible operating assistance	<u>\$ 15,005</u>	<u>\$ 55,074</u>	<u>\$ 70,079</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
MILEAGE DATA REPORT (UNAUDITED)
Year Ended June 30, 2023

<u>Quarter Ending</u>	<u>Miles</u>
September 30, 2022	17,655
December 31, 2022	21,167
March 31, 2023	22,711
June 30, 2023	<u>20,598</u>
Total Miles	<u><u>82,131</u></u>

**CITY OF HANCOCK
FEDERAL AWARDS PROGRAMS
JUNE 30, 2023**

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hancock, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Hancock, Michigan's basic financial statements and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hancock, Michigan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hancock, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hancock, Michigan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hancock, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001 and 2023-002.

City of Hancock, Michigan's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hancock, Michigan's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Hancock, Michigan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 15, 2023

RUKKILA | NEGRO AND ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Hancock, Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Hancock, Michigan's major federal programs for the year ended June 30, 2023. City of Hancock, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hancock, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Hancock, Michigan and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Hancock, Michigan's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Hancock, Michigan's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Hancock, Michigan's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Hancock, Michigan's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Hancock, Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Hancock, Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Hancock, Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

December 15, 2023

CITY OF HANCOCK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
US DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Michigan Department of Transportation			
Highway planning and construction (Federal-Aid Highway Program)	20.205		\$ 27,500
COVID 19 -Federal Section 5311 operating	20.509		<u>105,766</u>
Total US Department of Transportation			<u>133,266</u>
US DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan State Police			
Disaster Grants - Public Assistance	97.036		139,746
US DEPARTMENT OF TREASURY			
Passed through EGLE finance division			
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0127	52,474
US DEPARTMENT OF COMMERCE			
Passed through EGLE water resources division			
Coastal Zone Management Administration Awards	11.419	NA20NOS4190200	68,473
Passed through National Oceanic Atmospheric Administration (NOAA)			
Economic Development Cluster			
Economic Adjustment Assistance	11.307	06-79-06264	<u>462,828</u>
Total US Department of Commerce			<u>531,301</u>
U.S. Election Assistance Commission (EAC)			
Passed through the Michigan Department of State			
HAVA Election Security Grant	90.404		2,802
US Department of Agriculture			
Community Facilities Loans and Grants Cluster			
Communities Facilities Grant	10.766		25,100
Communities Facilities Grant	10.766		<u>50,000</u>
Total US Department of Agriculture			<u>75,100</u>
Total Federal Awards			<u>\$ 934,689</u>

CITY OF HANCOCK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

NOTE A - OVERSIGHT AGENCY

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

NOTE B - BASIS OF ACCOUNTING

Expenditures reported in the Schedule are reported on the accrual basis of accounting.

NOTE C - INDIRECT COSTS

The City has elected to use the 10 percent *de minimis* indirect cost rate to recover indirect costs as permitted by CFR Section 200.414 of the Uniform Guidance.

NOTE D - PASS-THROUGH GRANT MONIES

During the fiscal year ending June 30, 2023, the City did not pass through any awards to subrecipients.

NOTE E -- FEDERAL AWARDS FINANCIAL STATEMENT RECONCILIATION

Governmental Funds (Page 21)	\$ 467,974
Less pass through revenue from Michigan Department of Transportation contract	(2,627)
Less revenue recognized in current year for prior year expenses due to timing differences	(2,450)
Plus expenditures incurred in current year for grant not awarded until September 2023 for those expenditures	50,000
Enterprise Funds (Page 24)	<u>421,792</u>
Total expenditures of federal awards	<u><u>\$ 934,689</u></u>

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
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:	Unmodified
Any audit findings disclosed that are required to be reported in with Title 2 CFR Section 200.516(a)?	No
Name of Federal Program:	
U.S. Department of Commerce - Passed through NOAA Economic Development Cluster Economic Adjustment Assistance - Federal Assistance Listing Number	11.307
Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

INSTANCES OF NON-COMPLIANCE WITH STATE STATUTES

2023-001 - BUDGET

Condition/Criteria: Public Act 621 of 1978, as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City of Hancock has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2023, the City of Hancock incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the year ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Effect: The City of Hancock is not in compliance with State Statutes.

Recommendation: The City of Hancock should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly.

View of Responsible Officials: The budget will be more closely monitored and budget amendments will be made accordingly.

2023-002 FUND DEFICITS

Criteria: Public Act 275 of 1980, requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the footnotes of the financial statements.

Condition: During the year ended June 30, 2023, the City incurred a deficit fund balance in two funds as shown on page 23 and 67.

Cause: Failure to have revenue in excess of expenditures.

Effect: The City of Hancock is not in compliance with State Law.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: The City of Hancock should file a corrective action plan for the deficits with the State of Michigan upon notification that one is required. As of this time, the City has not filed such a plan. We recommend the City either increase operating revenues or decrease operating expenditures in the future to eliminate the deficits.

View of Responsible Officials: The City will file a corrective action plan upon notification from the State of Michigan that one is required.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - There were no findings and/or questioned costs identified.

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hancock for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Hancock are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2023. We noted no transactions entered into by the City of Hancock during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Management's estimate of the lives of capital assets:

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

Management's estimate of the net pension liability:

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

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

December 15, 2023



Corrective Action Plan
For the Fiscal Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING: 2023-001

Name of contact person: Mary Babcock, City Manager, 906-482-2720

Description of Finding: Public Act 621 of 1978, as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City of Hancock has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2023, the City of Hancock incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Auditor Recommendation: The City of Hancock should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly.

Statement of Concurrence or Nonconcurrence: We agree with this finding.

Corrective Action Plan: The budget will be more closely monitored and budget amendments will be made accordingly.

Proposed Completion Date: Immediately.

FINDING: 2023-002

Name of contact person: Mary Babcock, City Manager, 906 482 2720

Description of Finding: Public Act 275 of 1980, requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the footnotes of the financial statements.

Auditor Recommendation: The City of Hancock should file a corrective action plan for the deficits with the State of Michigan upon notification that one is required. As of this time, the City has not filed such a plan. We recommend the City either increase operating revenues or decrease operating expenditures in the future to eliminate the deficit.

Statement of Concurrence or Nonconcurrence: We agree with this finding.

Corrective Action Plan: We will file a deficit elimination plan upon notification from the State of Michigan stating that one is required.

Proposed Completion Date: Immediately upon notification from the State of Michigan.



Mary Babcock, City Manager