

CITY OF HANCOCK
HOUGHTON COUNTY, MICHIGAN

FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION

June 30, 2009



CITY OF HANCOCK

JUNE 30, 2009

ADMINISTRATION

City Manager Glenn Anderson
Clerk/Treasurer Karen Haischer

BOARD MEMBERS

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hancock as of and for the year then ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hancock as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2009 on our consideration of the City of Hancock's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 16 and 51 through 53, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Hancock's basic financial statements. The additional information on pages 55 to 92 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Hancock. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

December 14, 2009

City of Hancock
Management's Discussion and Analysis
June 30, 2009

This section of the City of Hancock's annual Financial Report presents Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2009. The analysis focuses on the City's financial performance as a whole. It is intended to be read as part of the City's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the City of Hancock exceeded its liabilities at the close of the most recent fiscal year by \$4,796,164 (net assets). Of this amount, \$2,696,935 (unreserved net assets) may be used to meet the government's ongoing obligations.
- The City of Hancock's total net assets decreased by \$88,934. This was the result of an increase in net assets of governmental activities of \$74,868 along with a decrease in the assets of business-type activities of \$163,802.
- The City of Hancock had charges for services of \$1,824,783 in governmental activities and \$1,510,735 for business-type activities and expenses totaling \$6,601,983 during the year ended June 30, 2009.
- At the close of the fiscal year, the City of Hancock's governmental activities funds reported a combined ending net assets balance of \$2,589,681. This is an increase of \$74,868.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$37,986 or about 1.5 percent of total general fund expenditures, general fund operating transfers to other funds were \$350,367 in 2009 compared to \$632,039 in the prior year, a decrease of \$281,672.
- The City of Hancock expended \$3,579,550 in federal awards requiring the City undergo a Single Audit. The schedule of federal expenditure awards is located on page 98. A majority of the federal expenditures was related to the water improvement project.
- During the fiscal year the City was able to eliminate a deficit totaling \$131,648 that was reported in the prior year for the Local Street Fund and a deficit of \$75,671 in the Residential Capital Projects Fund.

Overview of the Financial Statements

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

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

Statement of Net Assets and the Statement of Activities

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

Overview of the Financial Statements - Continued

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements - Continued

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

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

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

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

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

Summary of Net Assets

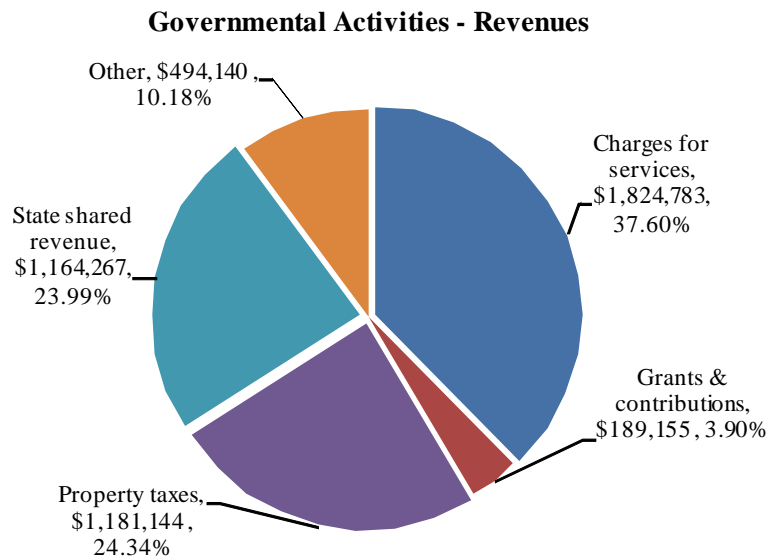
	Governmental Activities		Business-type Activities	
	2009	2008	2009	2008
Assets				
Current and other assets	\$ 1,569,387	\$ 1,383,127	\$ 402,443	\$ 508,681
Capital assets- Net of accumulated	4,274,262	3,771,120	6,833,285	4,091,104
Total Assets	<u>\$ 5,843,649</u>	<u>\$ 5,154,247</u>	<u>\$ 7,235,728</u>	<u>\$ 4,599,785</u>
Liabilities				
Current liabilities	\$ 278,209	\$ 276,050	\$ 144,779	\$ 134,180
Long-term liabilities	2,975,759	2,363,384	4,884,466	2,095,320
Total Liabilities	<u>3,253,968</u>	<u>2,639,434</u>	<u>5,029,245</u>	<u>2,229,500</u>
Net Assets				
Invested in property and equipment - net of	3,541,616	3,075,649	0	0
Contributed capital	0	0	161,013	175,464
Restricted for debt	(2,091,569)	(2,067,923)	0	0
Reserved	174,210	154,586	313,959	343,016
Unrestricted	965,424	1,352,476	1,731,511	1,851,805
Total Net Assets	<u>2,589,681</u>	<u>2,514,788</u>	<u>2,206,483</u>	<u>2,370,285</u>
Total Liabilities and Net Assets	<u>\$ 5,843,649</u>	<u>\$ 5,154,222</u>	<u>\$ 7,235,728</u>	<u>\$ 4,599,785</u>

**City of Hancock
Management's Discussion and Analysis
June 30, 2009**

Results of Operations

	Governmental Activities		Business-type Activities	
	2009	2008	2009	2008
<u>Revenues</u>				
Program Revenue:				
Charges for services	\$ 1,824,783	\$ 1,725,106	\$ 1,510,735	\$ 1,342,309
Grants and contributions	189,155	418,034	120,357	241,274
Capital grants and contributions	0	33,000	0	0
General Revenue:				
Property taxes	1,181,144	1,121,578	0	0
State shared revenue	1,164,267	1,117,817	0	0
Other	494,140	796,566	64,468	45,028
Transfers	0	0	36,000	406,617
Total Revenue	4,853,489	5,212,101	1,731,560	2,035,228
<u>Functions/Program Expenses</u>				
General government	1,510,341	877,719	0	0
Public safety	678,744	719,444	0	0
Public works	1,917,166	2,246,400	1,859,362	1,667,610
Sanitation	311,582	294,139	0	0
Recreation and culture	139,916	144,923	0	0
Interest on long-term debt	20,358	21,590	0	0
Other	164,514	227,748	0	0
Transfers	36,000	406,617	0	0
Total Expenses	4,778,621	4,938,580	1,859,362	1,667,610
Change in Net Assets	74,868	273,521	(127,802)	367,618
Net Assets - Beginning	2,514,813	2,241,292	2,370,285	2,002,667
Net Assets - Ending	<u>\$ 2,589,681</u>	<u>\$ 2,514,813</u>	<u>\$ 2,242,483</u>	<u>\$ 2,370,285</u>

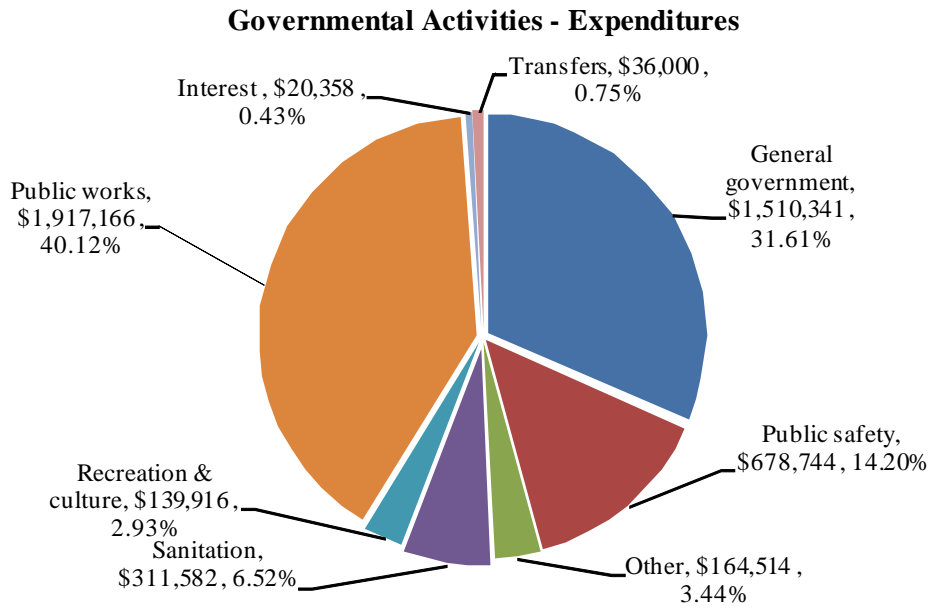
The following two charts highlight the City's governmental activities by revenues and expenses.



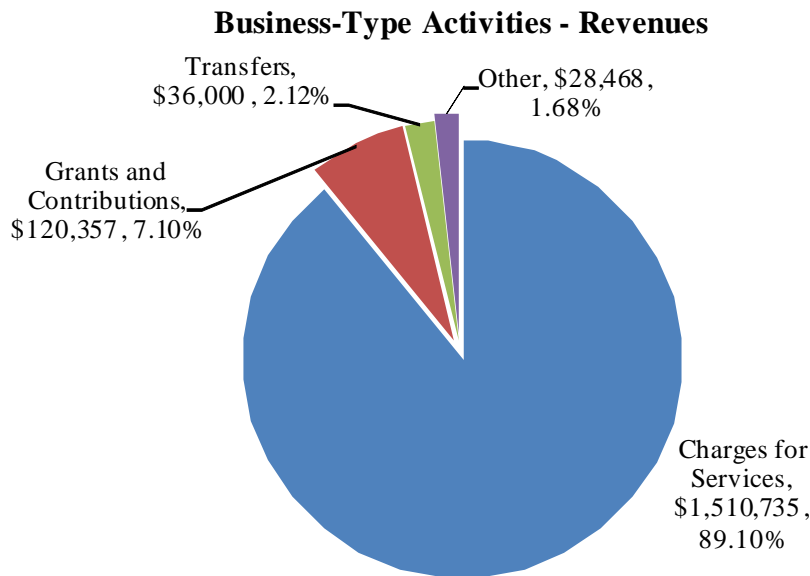
**City of Hancock
Management's Discussion and Analysis
June 30, 2009**

The most significant portions of the revenues for all governmental activities of the City comes from property taxes. The City's operating millage was 14.3036. Charges for services include revenue from internal service funds for employee benefits and the use of the motor vehicles, as well as garbage collection revenue and campground revenue. State revenue represents state shared revenue and funds for the Major and Local Street Funds from the Michigan Transportation Fund.

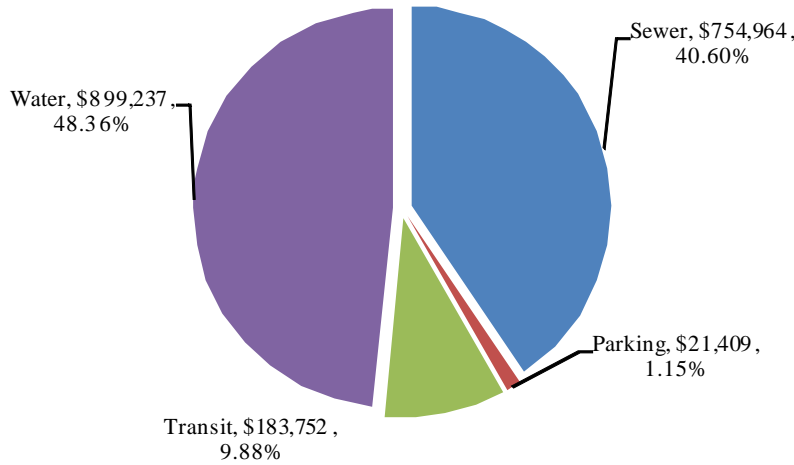
The general area expenses represent City hall activities. The major, local and motor vehicle expenses are included in the public works area. Police and fire expenses are included in public safety.



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



Business-Type Activities - Expenditures



Significant Transactions and Changes in Individual Funds

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

GENERAL FUND	Current Year	Prior Year	Change
Revenues/Transfers	\$ 2,588,249	\$ 2,421,488	\$ 166,761
Expenditures/Transfers	\$ 2,814,571	\$ 2,590,513	\$ 224,058
Fund Balance	\$ 325,066	\$ 331,650	\$ (6,584)

The General Fund saw an increase in revenues and expenditures of \$166,761 and \$224,058, respectively. The increase in revenue is due to the combination of increase in local taxes, state revenue, garbage services, other revenue and a decrease in federal grants, and charges for services. The increase in expenditures is due to the combination of increases in general government administration, public works, sanitation, and decreases in all other areas.

SPECIAL REVENUE FUNDS	Current Year	Prior Year	Change
Major Street Fund:			
Revenues/Transfers	\$ 555,347	\$ 925,026	\$ (369,679)
Expenditures/Transfers	\$ 570,313	\$ 901,907	\$ (331,594)
Fund Balance (Deficit)	\$ (54,322)	\$ (39,356)	\$ (14,966)
Local Street Fund:			
Revenues/Transfers	\$ 450,833	\$ 401,918	\$ 48,915
Expenditures/Transfers	\$ 319,185	\$ 464,811	\$ (145,626)
Fund Balance (Deficit)	\$ 0	\$ (131,648)	\$ 131,648
CDBG Fund:			
Revenues/Transfers	\$ 319,762	\$ 138,208	\$ 181,554
Expenditures/Transfers	\$ 258,552	\$ 121,497	\$ 137,055
Fund Balance	\$ 164,237	\$ 103,027	\$ 61,210
Elevation Street TIF Fund:			
Revenues/Transfers	\$ 27,971	\$ 26,290	\$ 1,681
Expenditures/Transfers	\$ 0	\$ 0	\$ 0
Fund Balance	\$ 144,095	\$ 116,124	\$ 27,971

**City of Hancock
Management's Discussion and Analysis
June 30, 2009**

Significant Transactions and Changes in Individual Funds (Continued)

Major Street Fund - The decrease in revenues/transfers of \$369,679 are from the combination of a grant received in prior year and a decrease in state revenues. Expenses/transfers decreased by \$331,594 due to prior year expenses related to the prior year grant received.

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

CDBG Fund - The CDBG fund had a significant increase in both revenues and expenditures due to a large grant received during the year.

ENTERPRISE FUNDS	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Parking Meter Fund			
Revenues/Transfers	\$ 18,110	\$ 17,438	\$ 672
Expenditures/Transfers	\$ 21,409	\$ 19,822	\$ 1,587
Retained Earnings	\$ (2,788)	\$ 511	\$ (3,299)
Transit Fund			
Revenues/Transfers	\$ 202,878	\$ 315,356	\$ (112,478)
Expenditures/Transfers	\$ 183,752	\$ 133,219	\$ 50,533
Retained Earnings	\$ 195,946	\$ 176,820	\$ 19,126
Sewer Fund			
Revenues/Transfers	\$ 599,619	\$ 651,435	\$ (51,816)
Expenditures/Transfers	\$ 754,964	\$ 737,534	\$ 17,430
Retained Earnings	\$ 1,142,384	\$ 1,297,729	\$ (155,345)
Water Fund			
Revenues/Transfers	\$ 874,953	\$ 1,050,999	\$ (176,046)
Expenditures/Transfers	\$ 899,237	\$ 777,035	\$ 122,202
Retained Earnings	\$ 870,941	\$ 895,225	\$ (24,284)

Parking Meter Fund - The Parking Meter Fund showed a slight increase in revenues and transfers due to an increase in transfers. Expenses increased due to an increase in general administration costs.

Transit Fund - The Transit Fund had a decrease in revenues from the combination of a reduction in state and federal grants and other revenue and a slight increase in charges for services. Expenditures showed an increase due to an increase in all operating expenses.

Sewer Fund - The Sewer Fund's revenues/transfers decreased due to having no transfers in and a slight decrease in charges for services. Expenditures increased due to slight increases in all operating expenses except for depreciation.

Water Fund - The Water Funds revenues decreased by \$176,046. The decrease is due to the combination of a significant decrease in transfers and increases in charges for services. The increase in expenditures is from a combination of a larger increase in operations and maintenance costs and slight increases in all other operating expenses except for general administration.

DEBT SERVICE (BUILDING AUTHORITY)	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 130,256	\$ 97,793	\$ 32,463
Expenditures/Transfers	\$ 130,806	\$ 97,735	\$ 33,071
Fund Balance	\$ 1,268	\$ 1,818	\$ (550)

Significant Transactions and Changes in Individual Funds (Continued)

RESIDENTIAL CAPITAL PROJECTS	Current Year	Prior Year	Change
Revenues/Transfers	\$ 93,144	\$ 17,298	\$ 75,846
Expenditures/Transfers	\$ 15,279	\$ 94,955	\$ (79,676)
Fund Balance (deficit)	\$ 15,279	\$ (75,671)	\$ 90,950

Increase in revenues is due to transfers in current year. The decrease in expenditures is due to a significant drop in construction costs.

INTERNAL SERVICE FUNDS

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

	Current Year	Prior Year	Change
Revenues/Transfers	\$ 890,230	\$ 807,372	\$ 82,858
Expenditures/Transfers	\$ 894,857	\$ 804,316	\$ 90,541
Fund Balance	\$ 65,920	\$ 70,547	\$ (4,627)

Motor Vehicle Fund - The Motor Vehicle Fund had an increase in revenues from additional sales of fixed assets. Total expenditures increased from additional costs in fuel and wages.

	Current Year	Prior Year	Change
Revenues/Transfers	\$ 656,274	\$ 623,635	\$ 32,639
Expenditures/Transfers	\$ 521,359	\$ 501,381	\$ 19,978
Fund Balance	\$ 823,190	\$ 688,275	\$ 134,915

Financial Analysis

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

As of the end of the current fiscal year, the City's governmental funds reported combined unreserved fund balances of \$203,698.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$37,986. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents about 1.5% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$226,322 during the fiscal year.

Proprietary Funds: The City's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Fund equity at the end of the year amounted to \$2,206,483. Of this amount \$1,731,511 is unrestricted.

Capital Assets and Debt Administration

The City's net investment in capital assets for the governmental and business-type activities as of June 30, 2009, amounts to \$11,107,547. Capital assets additions totaling \$3,884,834 includes city hall renovations, tennis court improvements, vehicles (vactor truck, van, pickup truck, and garbage truck), and water system improvements.

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

Long-term debt: At the end of the current fiscal year, the City had total debt of \$7,797,283. This total amount is backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found starting on page 38 of this report.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the City Manager at 399 Quincy Street, Hancock, Michigan 49930 or call (906) 482-1121.

CITY OF HANCOCK
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS:	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
CURRENT ASSETS:				
Cash	\$ 526,668	\$ 62,803	\$ 589,471	\$ 144,048
Restricted cash	243,530	129,932	373,462	-
Investments	84,093	3,502	87,595	-
Restricted investments	-	311,601	311,601	-
Receivables	77,862	119,098	196,960	18,500
Inventories	52,959	100,409	153,368	-
Prepaid expenses	58,201	3,074	61,275	-
Due from component unit	16,917	-	16,917	-
Due from fiduciary funds	279	-	279	-
Internal balances	360,226	(360,226)	-	-
Due from other governmental units	148,652	32,250	180,902	-
TOTAL CURRENT ASSETS	1,569,387	402,443	1,971,830	162,548
NONCURRENT ASSETS:				
Non-depreciable capital assets	300,670	-	300,670	114,288
Depreciable capital assets-Net	3,973,592	6,833,285	10,806,877	-
TOTAL NONCURRENT ASSETS	4,274,262	6,833,285	11,107,547	114,288
TOTAL ASSETS	\$ 5,843,649	\$ 7,235,728	\$ 13,079,377	\$ 276,836
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 92,605	\$ 21,779	\$ 114,384	\$ 2,319
Due to primary government	-	-	-	16,917
Bonds payable, current maturities	84,000	123,000	207,000	-
Note payable, current maturities	101,604	-	101,604	-
TOTAL CURRENT LIABILITIES	278,209	144,779	422,988	19,236
NONCURRENT LIABILITIES:				
Bonds payable, less current maturities	2,247,210	4,884,466	7,131,676	-
Note payable, less current maturities	357,003	-	357,003	-
Compensated absences	371,546	-	371,546	-
TOTAL NONCURRENT LIABILITIES	2,975,759	4,884,466	7,860,225	-
TOTAL LIABILITIES	3,253,968	5,029,245	8,283,213	19,236
NET ASSETS:				
Invested in capital assets, net of related debt	3,541,616	-	3,541,616	-
Contributed capital	-	161,013	161,013	-
Restricted for debt service	(2,091,569)	-	(2,091,569)	-
Reserved	174,210	441,533	615,743	-
Unreserved	965,424	1,603,937	2,569,361	257,600
TOTAL NET ASSETS	2,589,681	2,206,483	4,796,164	257,600
TOTAL LIABILITIES AND NET ASSETS	\$ 5,843,649	\$ 7,235,728	\$ 13,079,377	\$ 276,836

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

CITY OF HANCOCK
STATEMENT OF ACTIVITIES
June 30, 2009

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenues and Changes in Net Assets			Component Unit (DDA)
	Expenses	Charges for Services	Grants and Contributions Operating	Capital	Governmental	Business-Type	Total	
Primary government:								
Government activities:								
General government	\$ 1,510,341	\$ 831,392	\$ -	\$ -	\$(678,949)	\$ -	\$(678,949)	\$ -
Public safety	678,744	2,088	-	-	(676,656)	-	(676,656)	-
Public works	1,917,166	655,215	189,155	-	(1,072,796)	-	(1,072,796)	-
Sanitation	311,582	167,665	-	-	(143,917)	-	(143,917)	-
Recreation and culture	139,916	63,370	-	-	(76,546)	-	(76,546)	-
Interest on long-term debt	20,358	-	-	-	(20,358)	-	(20,358)	-
Other	164,514	105,053	-	-	(59,461)	-	(59,461)	-
Total governmental activities	4,742,621	1,824,783	189,155	-	(2,728,683)	-	2,728,683	-
Business-type activities:								
Water	899,237	863,563	-	-	-	(35,674)	(35,674)	-
Sewer	754,964	597,344	-	-	-	(157,620)	(157,620)	-
Parking Meter	21,409	12,088	-	-	-	(9,321)	(9,321)	-
Transit	183,752	37,740	120,357	-	-	(25,655)	(25,655)	-
Total business-type activities	1,859,362	1,510,735	120,357	-	-	228,270	228,270	-
Total primary government	\$ 6,601,983	\$ 3,335,518	\$ 309,512	\$ -	\$(2,728,683)	\$(228,270)	\$(2,956,953)	\$ -
Component Unit (DDA)	\$ 181,818	\$ -	\$ -	\$ -	-	-	-	\$(181,818)
General Revenues:								
Property taxes, levied for general operations					1,181,144	-	1,181,144	112,856
State shared revenue					1,164,267	-	1,164,267	-
Interest and investment earnings					17,550	9,842	27,392	2,419
Transfers					(36,000)	36,000	-	-
Gain on sale of assets					57,149	-	57,149	-
Other					419,441	18,626	438,067	1,190
Total general revenues, transfers, and special items					2,803,551	64,468	2,868,019	116,465
Change in Net Assets					74,868	(163,802)	(88,934)	(65,353)
Net Assets - Beginning					2,514,813	2,370,285	4,885,098	322,953
Net Assets - Ending					\$ 2,589,681	\$ 2,206,483	\$ 4,796,164	\$ 257,600

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

CITY OF HANCOCK
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	Major Governmental Funds			Other	Total
	General Fund	Major Street Fund	CDBG Fund	Non-major Governmental Funds	Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 113,137	\$ 96,426	\$ -	\$ 215,259	\$ 424,822
Restricted cash	67,342	-	172,897	1,268	241,507
Investments	84,093	-	-	-	84,093
Taxes receivable	757	-	-	45,828	46,585
Accounts receivable	23,750	-	-	-	23,750
Due from other funds	60,110	-	-	201,884	261,994
Due from fiduciary funds	279	-	-	-	-
Due from governmental units	99,579	33,566	-	15,507	148,652
Inventory	23,160	-	-	-	23,160
Prepaid expenses	30,133	-	-	-	30,133
TOTAL ASSETS	\$ 502,340	\$ 129,992	\$ 172,897	\$ 479,746	\$ 1,284,975
LIABILITIES:					
Accounts payable	\$ 23,015	\$ 83	\$ 8,660	\$ -	\$ 31,758
Accrued expenses	19,050	821	-	1,099	20,970
Due to other funds	354,947	183,410	-	318,005	856,362
TOTAL LIABILITIES	397,012	184,314	8,660	319,104	909,090
FUND BALANCES:					
Reserved	67,342	-	164,237	1,818	233,397
Unreserved	37,986	(54,322)	-	158,824	142,488
	<u>105,328</u>	<u>(54,322)</u>	<u>164,237</u>	<u>160,642</u>	<u>375,885</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 502,340	\$ 129,992	\$ 172,897	\$ 479,746	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,877,066
Internal service fund is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net assets.	889,110
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,552,380)</u>
Net assets of governmental activities	<u>\$ 2,589,681</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 2009

	Major Governmental Funds			Other	Total
	General	Major Street	CDBG	Non-major Governmental Funds	
Revenues:					
Taxes	\$ 1,071,699	\$ -	\$ -	\$ 109,445	\$ 1,181,144
State revenue	485,618	514,050	-	166,599	1,166,267
Federal revenue	-	-	187,155	-	187,155
Charges for services	336,470	-	-	146,213	482,683
Interest	22,082	1,392	-	3,936	27,410
Other revenue	106,535	549	132,607	1,000	240,691
Total revenues	<u>2,022,404</u>	<u>515,991</u>	<u>319,762</u>	<u>427,193</u>	<u>3,285,350</u>
Expenditures:					
General government	967,996	28,703	2,000	7,819	1,006,518
Public safety	678,744	-	-	-	678,744
Public works	241,003	541,610	256,552	313,605	1,352,770
Sanitation	311,582	-	-	-	311,582
Recreation and culture	139,916	-	-	-	139,916
Debt Service	50,358	-	-	-	50,358
Other	74,605	-	-	130,761	205,366
Total expenditures	<u>2,464,204</u>	<u>570,313</u>	<u>258,552</u>	<u>452,185</u>	<u>3,745,254</u>
Excess (deficiency) of revenue over expenditures	<u>(441,800)</u>	<u>(54,322)</u>	<u>61,210</u>	<u>(24,992)</u>	<u>(459,904)</u>
Other Financing Sources (Uses)					
Loan Proceeds	565,845	-	-	-	565,845
Operating transfers in	-	39,356	-	275,011	314,367
Operating transfers out	<u>(350,367)</u>	-	-	-	<u>(350,367)</u>
Total other financing sources (uses)	<u>215,478</u>	<u>39,356</u>	<u>-</u>	<u>275,011</u>	<u>529,845</u>
Net change in fund balance	(226,322)	(14,966)	61,210	250,019	69,941
Fund Balances - Beginning of Year	<u>331,650</u>	<u>(39,356)</u>	<u>103,027</u>	<u>(89,377)</u>	
Fund Balances - End of Year	<u>\$ 105,328</u>	<u>\$ (54,322)</u>	<u>\$ 164,237</u>	<u>\$ 160,642</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents depreciation. 335,450

Long-term liabilities, including loan proceeds and principal payments, are not due and payable in the current period and therefore are not reported in the funds. 464,210

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. 3,399

Internal service fund is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities. (130,288)

Change in net assets of governmental activities \$ 74,868

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

CITY OF HANCOCK
PROPRIETARY FUNDS
BALANCE SHEET
Year Ended June 30, 2009

	Business-Type Activities Enterprise Funds				Governmental Activities	
	Major Funds		Non-major Funds		Total	Internal Service Funds
	Sewer	Water	Transit	Parking Meter		
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 49,376	\$ (4,708)	\$ 16,659	\$ 1,476	\$ 62,803	\$ 101,846
Restricted cash	13,517	116,415	-	-	129,932	2,023
Investments	3,502	-	-	-	3,502	-
Restricted investments	114,057	197,544	-	-	311,601	-
Accounts receivable	47,067	71,911	40	80	119,098	7,527
Inventory	38,552	61,857	-	-	100,409	29,799
Due from other funds	-	-	-	-	-	954,594
Due from other governmental units	2,683	-	29,567	-	32,250	-
Due from component unit	-	-	-	-	-	16,917
Prepaid expenses	-	650	2,424	-	3,074	28,068
Total current assets	268,754	443,669	48,690	1,556	762,669	1,140,774
General fixed assets						
Property, plant, and equipment	5,787,904	9,133,093	295,629	30,893	15,247,519	2,000,915
Accumulated depreciation	(4,741,502)	(3,507,918)	(133,921)	(30,893)	(8,414,234)	(1,603,719)
Total general fixed assets	1,046,402	5,625,175	161,708	-	6,833,285	397,196
TOTAL ASSETS	\$ 1,315,156	\$ 6,068,844	\$ 210,398	\$ 1,556	\$ 7,595,954	\$ 1,537,970
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ -	\$ 1,394	\$ 11,721	\$ -	\$ 13,115	\$ 14,104
Accrued expenses	1,685	3,965	2,731	283	8,664	176,149
Due to other funds	116,087	240,078	-	4,061	360,226	-
Current maturities on long-term debt	10,000	113,000	-	-	123,000	101,604
Total current liabilities	127,772	358,437	14,452	4,344	505,005	291,857
Long-term liabilities:						
Bonds/note payable	45,000	4,839,466	-	-	4,884,466	357,003
TOTAL LIABILITIES	172,772	5,197,903	14,452	4,344	5,389,471	648,860
FUND EQUITY:						
Contributed capital	-	-	161,013	-	161,013	-
Retained earnings:						
Reserved	127,574	313,959	-	-	441,533	2,023
Unreserved	1,014,810	556,982	34,933	(2,788)	1,603,937	887,087
Total retained earnings	1,142,384	870,941	34,933	(2,788)	2,045,470	889,110
TOTAL FUND EQUITY	1,142,384	870,941	195,946	(2,788)	2,206,483	889,110
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,315,156	\$ 6,068,844	\$ 210,398	\$ 1,556	\$ 7,595,954	\$ 1,537,970

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

CITY OF HANCOCK
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
Year Ended June 30, 2009

	Business-Type Activities Enterprise Funds					Governmental
	Major Funds		Non-major Funds			Internal
	Sewer	Water	Transit	Parking	Total	Service Funds
				Meter		
OPERATING REVENUES:						
Sales and charges for services	\$ 597,344	\$ 863,563	\$ 37,740	\$ 12,088	\$ 1,510,735	\$ 1,486,607
State revenue	-	-	93,728	-	93,728	-
Federal revenue	-	-	40,629	-	40,629	-
Other revenue	-	4,046	580	-	4,626	59,028
TOTAL OPERATING REVENUES	597,344	867,609	172,677	12,088	1,649,718	1,545,635
OPERATING EXPENSES:						
General administration	38,598	59,282	22,232	21,409	141,521	920,336
Meter reading	10,030	10,028	-	-	20,058	-
Purchased services	464,763	174,755	-	-	639,518	-
Operations and maintenance	140,005	431,312	124,334	-	695,651	372,383
Depreciation	98,318	106,432	37,186	-	241,936	113,765
TOTAL OPERATING EXPENSES	751,714	781,809	183,752	21,409	1,738,684	1,406,484
OPERATING INCOME (LOSS)	(154,370)	85,800	(11,075)	(9,321)	(88,966)	139,151
NON-OPERATING REVENUES (EXPENSES):						
Gain on sale of asset	-	-	-	-	-	40
Interest income	2,275	7,344	201	22	9,842	829
Interest expense	(3,250)	(117,428)	-	-	(120,678)	(9,732)
Operating transfers in	-	-	30,000	6,000	36,000	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(975)	(110,084)	30,201	6,022	(74,836)	(8,863)
NET INCOME (LOSS)	(155,345)	(24,284)	19,126	(3,299)	(163,802)	130,288
RETAINED EARNINGS, BEGINNING OF YEAR	1,297,729	895,225	176,820	511	2,370,285	758,822
END OF YEAR	\$ 1,142,384	\$ 870,941	\$ 195,946	\$ (2,788)	\$ 2,206,483	\$ 889,110

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

CITY OF HANCOCK
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
	<u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service Funds</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,478,818	\$ (6,385)	\$ 1,472,433
Payments to suppliers	(1,035,654)	(1,202,311)	(2,237,965)
Internal activity -- receipts (payments) to other funds	(309,650)	1,444,880	1,135,230
Payments to employees	(285,189)	(54,126)	(339,315)
Other receipts (payments)	<u>138,983</u>	<u>59,029</u>	<u>198,012</u>
Net cash provided by operating activities	<u>(12,692)</u>	<u>241,087</u>	<u>228,395</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>281,385</u>	<u>(126,489)</u>	<u>154,896</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	2,912,146	257,143	3,169,289
Purchases of capital assets	(2,984,116)	(281,458)	(3,265,574)
Sale of capital assets	-	40	40
Principal paid on capital debt	(36,000)	(61,232)	(97,232)
Interest paid on capital debt	<u>(120,678)</u>	<u>(9,732)</u>	<u>(130,410)</u>
Net cash (used) by capital and related financing activities	<u>(228,648)</u>	<u>(95,239)</u>	<u>(323,887)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>9,842</u>	<u>829</u>	<u>10,671</u>
Net cash provided by investing activities	<u>9,842</u>	<u>829</u>	<u>10,671</u>
Net (decrease) in cash and cash equivalents	49,887	20,188	70,075
Balances – beginning of the year	<u>457,951</u>	<u>83,681</u>	<u>541,632</u>
Balances – end of the year	<u>\$ 507,838</u>	<u>\$ 103,869</u>	<u>\$ 611,707</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (88,966)	\$ 139,151	\$ 50,185
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	241,936	113,765	355,701
Change in assets and liabilities:			
Receivables, net	(31,917)	(6,385)	(38,302)
Due from other governmental units	(79,628)	-	(79,628)
Due from component unit	-	(16,917)	(16,917)
Inventory	(24,495)	(2,081)	(26,576)
Prepaid expenses	(599)	31,288	30,689
Accounts and other payables	(33,613)	(14,151)	(47,764)
Accrued expenses	<u>4,590</u>	<u>(3,583)</u>	<u>1,007</u>
Net cash provided by operating activities	<u>\$ (12,692)</u>	<u>\$ 241,087</u>	<u>\$ 228,395</u>

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

CITY OF HANCOCK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Non-Expendable			
	Trust Fund		Agency Funds	
	Cemetery	Perpetual	Agency	Payroll
	Care Trust	Agency	Payroll	Total
ASSETS:				
Cash and equivalents	\$ 75,395	\$ 279	\$ 5	\$ 284
Investments	95,812	-	-	-
TOTAL ASSETS	\$ 171,207	\$ 279	\$ 5	\$ 284
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 5	\$ 5
Due to general fund	-	279	-	279
TOTAL LIABILITIES	-	279	5	284
FUND EQUITY:				
Fund balance:				
Reserved	171,207	-	-	-
TOTAL FUND EQUITY	171,207	-	-	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 171,207	\$ 279	\$ 5	\$ 284

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

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, 2009

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, 2008 is as follows:

Total assets	<u>\$ 1,200,749</u>
Total liabilities	\$ 130,748
Total equity	<u>1,070,001</u>
Total liabilities and surplus	<u>\$ 1,200,749</u>
Operating income	\$ 679,730
Operating expenses	<u>854,824</u>
Net operating income	(175,094)
Capital grant contributions	23,639
Net Non-operating revenues (expenses)	<u>4,413</u>
Net income	<u>\$ (147,042)</u>

Portage Lake Water and Sewage Authority

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Authorities financial information for the year ended June 30, 2009 (most recent year audited) shows the following:

Total Assets	\$ 11,094,089
Total Liabilities	\$ 10,204,658
Total Equity	\$ 889,431
Total Revenues	\$ 1,244,531
Total Expenditures	\$ 2,151,284
Long-Term Debt	\$ 9,441,122

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

COMPONENT UNITS

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

DISCRETELY PRESENTED COMPONENT UNITS

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

BLENDED COMPONENT UNITS

City of Hancock Building Authority

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City first utilizes restricted resources to finance qualifying activities.

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

The City does not allocate indirect costs.

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

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

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

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

The City reports the following major governmental funds:

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

PROPRIETARY FUND TYPES

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

The City reports the following proprietary funds:

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

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

The City reports the following major proprietary funds:

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

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

FIDUCIARY FUND TYPES

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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

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

Other Accounting Policies

Cash and cash equivalents - Cash and equivalents include amounts in demand deposits and certificates of deposit.

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

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies. The individual inventory supplies are recorded as an asset when purchased.

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

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

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

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

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

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

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, 2009, the City's budget had been amended.
5. The City allows all unencumbered and unexpended appropriations to lapse at year end.

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

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

NOTE C - CASH AND INVESTMENTS

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

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units	Fiduciary Funds
Unrestricted	\$ 526,668	\$ 62,803	\$ 589,471	\$ 144,048	\$ 0
Restricted Cash	243,530	129,932	373,462	0	75,679
Total Cash and Cash Equivalents	<u>770,198</u>	<u>192,735</u>	<u>962,933</u>	<u>144,048</u>	<u>75,679</u>
Unrestricted Investments	84,093	3,502	87,595	0	0
Restricted Investments	0	311,601	311,601	0	95,812
Total Investments	<u>84,093</u>	<u>315,103</u>	<u>399,196</u>	<u>0</u>	<u>95,812</u>
Total deposits and investments	<u>\$ 854,291</u>	<u>\$ 507,838</u>	<u>\$ 1,362,129</u>	<u>\$ 144,048</u>	<u>\$ 171,491</u>

As of June 30, 2009 the City had the following investments:

Investment Type	Fair Value	Rating
Accrued Interest	\$ 263	AAA
Federal Government Obligations	404,744	AAA
Bank Certificates over one year	90,000	AAA
TOTAL	<u>\$ 495,007</u>	

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE C - CASH AND INVESTMENTS (Continued)

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

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

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

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2009, \$185,479 of the City's bank balance of \$1,419,106 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE D - TRANSFERS AND INTERFUND BALANCES

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

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$ 350,367	Major Street	\$ 39,356
		Local Street	199,340
		Parking Meter	6,000
		Transit	30,000
		Capital Projects	75,671
TOTALS	<u>\$ 350,367</u>	TOTALS	<u>\$ 350,367</u>

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

The amounts of interfund receivables and payables at June 30, 2009 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 60,110	Major	\$ 110
		Water	30,000
		Sewer	30,000
Subtotal	<u>60,110</u>	Subtotal	<u>60,110</u>
Local Street	201,884	General	201,884
Subtotal	<u>201,884</u>	Subtotal	<u>201,884</u>
Employee Benefits	205,129	General	92,061
		Parking	3,795
		Sewer	51,957
		Water	57,316
Subtotal	<u>205,129</u>	Subtotal	<u>205,129</u>
Motor Vehicle	749,465	General	61,002
		Major	183,300
		Local Street	318,005
		Parking Meter	266
		Sewer	34,130
		Water	152,762
Subtotal	<u>749,465</u>	Subtotal	<u>749,465</u>
TOTALS	<u>\$ 1,216,588</u>	TOTALS	<u>\$ 1,216,588</u>

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE E - RECEIVABLES

The detail of receivables at June 30, 2009 are as follows:

Receivables	General	Special Revenue	Internal Service	Enterprise	Total Primary Government
Accounts	\$ 23,750	\$ 0	\$ 7,527	\$ 119,098	\$ 150,375
Taxes	757	45,828	0	0	46,585
Total receivables	<u>\$ 24,507</u>	<u>\$ 45,828</u>	<u>\$ 7,527</u>	<u>\$ 119,098</u>	<u>\$ 196,960</u>

NOTE F - CAPITAL ASSETS

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

	Balance 6/30/08	Additions	Subtractions	Balance 6/30/09
Land	\$ 300,670	\$ 0	\$ 0	\$ 300,670
Depreciable Capital Assets				
Buildings	2,102,577	613,161	0	2,715,738
Equipment	444,678	124,950	0	569,628
Improvements	1,762,997	6,100	0	1,769,097
Vehicles	2,437,898	156,508	0	2,594,406
Subtotal	<u>6,748,150</u>	<u>\$ 900,719</u>	<u>\$ 0</u>	<u>7,648,869</u>
Accumulated Depreciation				
Buildings	(852,160)	\$ (53,280)	\$ 0	(905,440)
Equipment	(239,203)	(71,425)	0	(310,628)
Improvements	(556,607)	(94,929)	0	(651,536)
Vehicles	(1,680,443)	(127,230)	0	(1,807,673)
Subtotal	<u>(3,328,413)</u>	<u>\$ (346,864)</u>	<u>\$ 0</u>	<u>(3,675,277)</u>
Net depreciable capital assets	<u>3,419,737</u>			<u>3,973,592</u>
Net capital assets	<u>\$ 3,720,407</u>			<u>\$ 4,274,262</u>

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

General Fund	\$ 154,850
DDA	64,153
Major Streets Fund	12,000
Local Streets Fund	2,095
Motor Vehicle Fund	113,766
	<u>\$ 346,864</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE F - CAPITAL ASSETS - (Continued)

The components of property, plant, and equipment in City proprietary funds at June 30, 2009 are summarized as follows:

PARKING METER FUND				
	Beginning	Additions	Deletions	Ending
Equipment	\$ 30,893	\$ 0	\$ 0	\$ 30,893
Subtotal	30,893	0	0	30,893
Accumulated depreciation:				
Equipment	30,893	0	0	30,893
Subtotal	30,893	0	0	30,893
Net capital assets	\$ 0			\$ 0
TRANSIT FUND				
	Beginning	Additions	Deletions	Ending
Construction in progress	\$ 0	\$ 11,454	\$ 0	\$ 11,454
Equipment	3,221	0	0	3,221
Vehicles	261,360	19,594	0	280,954
Subtotal	264,581	31,048	0	295,629
Accumulated depreciation:				
Equipment	2,066	460	0	2,526
Vehicles	94,669	36,726	0	131,395
Subtotal	96,735	37,186	0	133,921
Net capital assets	\$ 167,846			\$ 161,708
SEWER DISPOSAL FUND				
	Beginning	Additions	Deletions	Ending
Buildings	\$ 754,725	\$ 0	\$ 0	\$ 754,725
Utility system	5,033,179	0	0	5,033,179
Subtotal	5,787,904	0	0	5,787,904
Accumulated depreciation:				
Buildings	594,345	18,868	0	613,213
Utility system	4,048,839	79,450	0	4,128,289
Subtotal	4,643,184	98,318	0	4,741,502
Net capital assets	\$ 1,144,720			\$ 1,046,402
WATER SUPPLY FUND				
	Beginning	Additions	Deletions	Ending
Buildings	\$ 1,645,692	\$ 0	\$ 0	\$ 1,645,692
Equipment	13,383	0	0	13,383
Land	73,500	0	0	73,500
Loan fees/lease	238,496	0	0	238,496
Utility system	4,208,954	2,953,068	0	7,162,022
Subtotal	6,180,025	2,953,068	0	9,133,093
Accumulated depreciation:				
Buildings	1,645,692	0	0	1,645,692
Equipment	4,684	1,338	0	6,022
Loan fees/lease	145,035	5,190	0	150,225
Utility system	1,606,076	99,904	0	1,705,980
Subtotal	3,401,487	106,432	0	3,507,919
Net capital assets	\$ 2,778,538			\$ 5,625,174

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE G - RESTRICTED ASSETS AND RESERVE FUND/EQUITY BALANCES

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

<u>General Fund</u>		<u>Other Funds</u>		<u>Enterprise Funds</u>	
Dupee Shaft	\$ 23,056	CDBG	\$ 172,897	Sewer Fund	\$ 127,574
Main Street Local Pool	38,046	Debt Retirement	\$ 1,268	Water Fund	\$ 313,959
Perry House	278	Employee benefits	\$ 2,023		
Civic Flowers	2,025				
Parks Round Up	3,638				
Sister City	144				
Maasto Hiihto	155				
	<u>\$ 67,342</u>				

General Fund - Main Street Local Pool: In 1981, funds of a CDBG were used to establish an interest free revolving commercial loan program to assist local businesses who have exhausted other means of obtaining credit. The \$38,046 represents the balance of the commercial loan program. As of June 30, 2009, 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 \$441,533 as of June 30, 2009. Use of these restricted assets are limited by applicable bond indentures and ordinances.

Internal Service Funds: The Employee Benefit Fund has restricted assets of \$2,023 as of June 30, 2009.

The Cemetery Perpetual Care Trust balance of \$171,207 is reserved for the perpetual care payments.

NOTE H - ACCUMULATED UNPAID VACATION AND SICK LEAVE

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

Accumulated unpaid vacation and sick leave at June 30, 2009 was \$93,948 and \$277,598, respectively.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 15,000	\$ 21,875	\$ 36,875
2010-11	15,000	21,125	36,125
2011-12	15,000	20,375	35,375
2012-13	15,000	19,625	34,625
2013-14	15,000	18,875	33,875
2014-15	20,000	18,125	38,125
2015-16	20,000	17,250	37,250
2016-17	20,000	16,250	36,250
2017-18	20,000	15,250	35,250
2018-19	20,000	14,250	34,250
2019-24	130,000	54,250	184,250
2024-28	125,000	19,875	144,875
TOTALS	<u>\$ 430,000</u>	<u>\$ 257,125</u>	<u>\$ 687,125</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 26,000	\$ 41,112	\$ 67,112
2010-11	28,000	39,900	67,900
2011-12	29,000	38,618	67,618
2012-13	31,000	37,264	68,264
2013-14	32,000	35,839	67,839
2014-15	34,000	34,343	68,343
2015-16	36,000	32,775	68,775
2016-17	38,000	31,113	69,113
2017-18	41,000	29,355	70,355
2018-23	240,000	116,447	356,447
2023-28	318,000	55,813	373,813
TOTALS	<u>\$ 853,000</u>	<u>\$ 492,579</u>	<u>\$ 1,345,579</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - LONG-TERM DEBT (Continued)

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 31,000	\$ 19,231	\$ 50,231
2010-11	32,000	17,880	49,880
2011-12	33,000	16,487	49,487
2012-13	35,000	15,029	50,029
2013-14	35,000	13,528	48,528
2014-15	37,000	11,984	48,984
2015-16	39,000	10,355	49,355
2016-17	41,000	8,640	49,640
2017-18	43,000	6,839	49,839
2018-19	45,000	4,952	49,952
2019-20	46,000	3,001	49,001
2020-21	47,000	1,008	48,008
TOTALS	<u>\$ 464,000</u>	<u>\$ 128,935</u>	<u>\$ 592,935</u>

2008A Building Authority Bonds: On June 18, 2008, the City of Hancock Building Authority authorized the issuance of general obligation bonds in the amount of \$500,000 to fund City Hall Renovations. As of June 30, 2009, \$490,210 of the bonds was issued at an interest rate of 4.125% per annum with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1.

SCHEDULE OF 2008A BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 9,000	\$ 20,295	\$ 29,295
2010-11	9,000	19,924	28,924
2011-12	9,000	19,553	28,553
2012-13	10,000	19,181	29,181
2013-14	10,000	18,769	28,769
2014-15	11,000	18,356	29,356
2015-16	11,000	17,903	28,903
2016-17	12,000	17,449	29,449
2017-18	12,000	16,954	28,954
2018-23	71,000	76,643	147,643
2023-28	87,000	60,761	147,761
2028-33	108,000	41,085	149,085
2033-37	133,000	16,995	149,995
TOTALS	<u>\$ 492,000</u>	<u>\$ 363,868</u>	<u>\$ 855,868</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - LONG-TERM DEBT (Continued)

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

SCHEDULE OF 2008B BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 2,000	\$ 4,590	\$ 6,590
2010-11	2,000	4,500	6,500
2011-12	2,000	4,410	6,410
2012-13	2,000	4,320	6,320
2013-14	2,000	4,230	6,230
2014-15	2,000	4,140	6,140
2015-16	2,000	4,050	6,050
2016-17	2,000	3,960	5,960
2017-18	3,000	3,870	6,870
2018-23	15,000	17,325	32,325
2023-28	18,000	13,815	31,815
2028-33	22,000	9,405	31,405
2033-37	28,000	3,915	31,915
TOTALS	<u>\$ 102,000</u>	<u>\$ 82,530</u>	<u>\$ 184,530</u>

ENTERPRISE FUNDS

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 20,000	\$ 50,268	\$ 70,268
2010-11	21,000	49,390	70,390
2011-12	22,000	48,468	70,468
2012-13	23,000	47,500	70,500
2013-14	24,000	46,488	70,488
2014-15	25,000	45,430	70,430
2015-16	26,000	44,328	70,328
2016-17	27,000	43,180	70,180
2017-18	29,000	41,988	70,988
2018-23	165,000	189,847	354,847
2023-28	210,000	149,750	359,750
2028-33	262,000	99,103	361,103
2033-38	253,562	35,889	289,451
TOTALS	<u>\$ 1,107,562</u>	<u>\$ 891,629</u>	<u>\$ 1,999,191</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - LONG-TERM DEBT (Continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 8,000	\$ 19,530	\$ 27,530
2010-11	8,000	19,170	27,170
2011-12	8,000	18,810	26,810
2012-13	9,000	18,450	27,450
2013-14	9,000	18,045	27,045
2014-15	10,000	17,640	27,640
2015-16	10,000	17,190	27,190
2016-17	10,000	16,740	26,740
2017-18	11,000	16,290	27,290
2018-23	59,000	73,890	132,890
2023-28	77,000	59,085	136,085
2028-33	95,000	40,275	135,275
2033-38	120,000	16,650	136,650
TOTALS	<u>\$ 434,000</u>	<u>\$ 351,765</u>	<u>\$ 785,765</u>

Sanitary Sewage Disposal System Revenue Bonds: On September 16, 1976, the City of Hancock authorized the sale of Sanitary Sewage Disposal System Revenue Bonds in the amount of \$290,000. The bonds were issued in denominations of \$5,000 at an interest rate of 5% per annum with principal amounts payable January 1 and interest payable semi-annually on July 1 and January 1.

Bonds are subject to redemption prior to maturity, in inverse numerical order, at the option of the City, at par plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 10,000	\$ 2,750	\$ 12,750
2010-11	10,000	2,250	12,250
2011-12	10,000	1,750	11,750
2012-13	10,000	1,250	11,250
2013-14	15,000	750	15,750
TOTALS	<u>\$ 55,000</u>	<u>\$ 8,750</u>	<u>\$ 63,750</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - LONG-TERM DEBT (Continued)

2008 Water Supply System Junior Lien Revenue Bond: On June 23, 2008, the City of Hancock authorized the sale of a Water Supply System Junior Lien Revenue Bond in the amount of \$3,665,000 for the purpose of upgrades and improvements to the existing water systems' connection to the Houghton Valve House and existing source connection. As of June 30, 2009 \$3,410,904 of the bond was issued at an interest rate of 2.5% per annum with principal amounts payable April 1 and interest payable semi-annually on October 1 and April 1.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 85,000	\$ 91,625	\$ 176,625
2010-11	85,000	89,500	174,500
2011-12	90,000	87,375	177,375
2012-13	90,000	85,125	175,125
2013-14	90,000	82,875	172,875
2014-15	95,000	80,625	175,625
2015-16	95,000	78,250	173,250
2016-17	100,000	75,875	175,875
2017-18	100,000	73,375	173,375
2018-23	545,000	327,750	872,750
2023-28	620,000	255,875	875,875
2028-33	705,000	174,500	879,500
2033-38	795,000	81,875	876,875
2038-39	170,000	4,250	174,250
TOTALS	<u><u>\$ 3,665,000</u></u>	<u><u>\$ 1,588,875</u></u>	<u><u>\$ 5,253,875</u></u>

INTERNAL SERVICE FUNDS - INSTALLMENT LOANS

<u>Purpose of Note</u>	<u>Date</u>	<u>Original</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>	<u>Current</u>
Sander and dump truck	10/01/04	\$ 161,496	09/30/10	3.60%	\$ 57,657	\$ 28,310
Cat backhoe	08/17/05	\$ 44,345	08/17/09	4.30%	\$ 18,753	\$ 9,301
Cat end loader	12/21/07	\$ 150,065	12/01/13	3.85%	\$ 125,054	\$ 25,011
97 Ford and Vactor	12/01/08	\$ 124,950	12/01/14	3.55%	\$ 124,950	\$ 19,052
2009 International	06/03/09	\$ 68,499	6/03/15	4.00%	\$ 68,499	\$ 10,327
2009 Rear Loader	6/03/09	\$ 63,694	6/03/15	4.00%	\$ 63,694	\$ 9,603

As of June 30, 2009, the aggregate maturities of loans payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 111,056	\$ 17,412	\$ 128,468
2010-11	94,813	13,154	107,967
2011-12	66,996	9,609	76,605
2012-13	68,584	7,059	75,643
2013-14	70,230	4,449	74,679
2014-15	46,928	1,775	48,703
TOTALS	<u><u>\$ 458,607</u></u>	<u><u>\$ 53,458</u></u>	<u><u>\$ 512,065</u></u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - LONG-TERM DEBT (Continued)

Changes in long-term debt principal are summarized below:

	Balance 06/30/08	Additions	Retired	Balance 06/30/09	Current Maturities
GOVERNMENTAL ACTIVITIES					
Building Authority Bonds - 1997	\$ 445,000	\$ 0	\$ 15,000	\$ 430,000	\$ 15,000
Building Authority Bonds - 1998	878,000	0	25,000	853,000	26,000
USDA Community Facilities Loan	494,000	0	30,000	464,000	32,000
Building Authority Bonds - 2008A	29,000	461,210	8,000	482,210	9,000
Building Authority Bonds - 2008B	21,000	83,000	2,000	102,000	2,000
	<u>1,867,000</u>	<u>544,210</u>	<u>80,000</u>	<u>2,331,210</u>	<u>84,000</u>
ENTERPRISE FUNDS					
Water System Bonds - 1997	1,126,562	0	19,000	1,107,562	20,000
Water System Bonds - 1998	441,000	0	7,000	434,000	8,000
Sewage Disposal Bonds - 1976	65,000	0	10,000	55,000	10,000
Water Supply System Bond	498,758	2,912,146	0	3,410,904	85,000
	<u>2,131,320</u>	<u>2,912,146</u>	<u>36,000</u>	<u>5,007,466</u>	<u>123,000</u>
INTERNAL SERVICE FUND					
Installment Loans	262,695	257,143	61,231	458,607	101,604
TOTALS	<u>\$ 4,261,015</u>	<u>\$ 3,713,499</u>	<u>\$ 177,231</u>	<u>\$ 7,797,283</u>	<u>\$ 308,604</u>

The aggregate amount of maturities on long-term debt by fund type for each of the next 5 years, and to maturity, is as follows:

GOVERNMENTAL ACTIVITIES

Year	Principal	Interest	Total
2009-10	\$ 83,000	\$ 107,103	\$ 190,103
2010-11	86,000	103,329	189,329
2011-12	88,000	99,443	187,443
2012-13	93,000	95,419	188,419
2013-14	94,000	91,241	185,241
2014-15	104,000	86,948	190,948
2015-16	108,000	82,333	190,333
2016-17	113,000	77,412	190,412
2017-18	119,000	81,204	200,204
2018-23	584,000	279,501	863,501
2023-28	578,000	158,639	736,639
2028-33	130,000	50,490	180,490
2033-38	161,000	20,910	181,910
TOTALS	<u>\$ 2,341,000</u>	<u>\$ 1,333,972</u>	<u>\$ 3,674,972</u>

INTERNAL SERVICE FUNDS

Year	Principal	Interest	Total
2009-10	\$ 111,056	\$ 17,412	\$ 128,468
2010-11	94,813	13,154	107,967
2011-12	66,996	9,609	76,605
2012-13	68,584	7,059	75,643
2013-14	70,230	4,449	74,679
2014-15	46,928	1,775	48,703
TOTALS	<u>\$ 458,607</u>	<u>\$ 53,458</u>	<u>\$ 512,065</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - LONG-TERM DEBT (Continued)

ENTERPRISE FUNDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 123,000	\$ 164,173	\$ 287,173
2010-11	124,000	160,310	284,310
2011-12	130,000	156,403	286,403
2012-13	132,000	152,325	284,325
2013-14	138,000	148,158	286,158
2014-15	130,000	143,695	273,695
2015-16	131,000	139,768	270,768
2016-17	137,000	135,795	272,795
2017-18	140,000	131,653	271,653
2018-23	769,000	591,487	1,360,487
2023-28	907,000	464,710	1,371,710
2028-33	1,062,000	313,878	1,375,878
2033-38	1,168,562	134,414	1,302,976
2038-39	170,000	4,250	174,250
TOTALS	\$ 5,261,562	\$ 2,841,019	\$ 8,102,581

NOTE J - ENTERPRISE FUNDS

SEGMENT INFORMATION - The City maintains four Enterprise Funds which provide water, sewer, parking, and transit services. Segment information for the year ended June 30, 2009 is as follows:

	<u>Parking Meter</u>	<u>Transit</u>	<u>Sewer</u>	<u>Water</u>
Operating revenues	\$ 12,088	\$ 172,677	\$ 597,344	\$ 867,609
Depreciation	\$ 0	\$ 37,186	\$ 98,318	\$ 106,432
Income (loss) from operations	\$ (9,321)	\$ (11,075)	\$ (154,370)	\$ 85,800
Non-operating revenues	\$ 6,022	\$ 30,201	\$ 2,275	\$ 7,344
Non-operating expenses	\$ 0	\$ 0	\$ (3,250)	\$ (117,428)
Net Income (loss)	\$ (3,299)	\$ 19,126	\$ (155,345)	\$ (24,284)
Property, plant & equipment				
Additions	\$ 0	\$ 31,048	\$ 0	\$ 2,953,068
Total assets	\$ 1,556	\$ 210,398	\$ 1,315,156	\$ 6,068,844
Net working capital surplus (deficit)	\$ (2,788)	\$ 34,238	\$ 140,982	\$ 85,232
Long-term liabilities:				
Payable from operating revenues	\$ 0	\$ 0	\$ 45,000	\$ 4,839,466
Invested in capital assets, net of related debt				
Contributed capital	\$ 0	\$ 161,013	\$ 0	\$ 0
Reserved net assets		\$ 0	\$ 127,574	\$ 313,959
Unrestricted net assets	\$ (2,788)	\$ 34,933	\$ 1,014,810	\$ 556,982
Total net assets	\$ (2,788)	\$ 195,946	\$ 1,142,384	\$ 870,941
Net cash provided (used) by:				
Operating activities	\$ (9,486)	\$ 5,295	\$ (124,487)	\$ 115,987
Noncapital financing activities	\$ 8,625	\$ 30,000	\$ 114,627	\$ 128,133
Capital & related financing activities	\$ 0	\$ (31,048)	\$ (13,250)	\$ (184,350)
Investing activities	\$ 22	\$ 201	\$ 2,275	\$ 7,344
Beginning cash	\$ 2,315	\$ 12,211	\$ 201,287	\$ 242,138
Ending cash	\$ 1,476	\$ 16,659	\$ 180,452	\$ 309,251

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE K - RESERVES AND RESTRICTED ASSETS

The ordinance authorizing issuance of the 1997 and 1998 Water Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond Reserve Account - Quarterly transfers are to be made in the sum of at least \$2,480 per quarter, with the annual requirement equal to \$9,920 until there is accumulated in such fund the aggregate sum of \$131,700.

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

Repair and Replacement Account - Quarterly transfers are to be made in the sum of not less than \$2,843, with the annual requirement equal to \$11,370. When the balance in the Bond Reserve Account reaches \$131,700, the quarterly transfer will be increased to \$5,323.

At June 30, 2009, the City had established these accounts and had restricted cash, as required, as follows:

	<u>Required</u>	<u>Amount Funded</u>
Bond Reserve Account	\$ 99,200	\$ 167,141
Repair and Replacement Account	113,700	113,700
Bond and Interest Redemption Account	23,867	33,118
	<u>\$ 236,767</u>	<u>\$ 313,959</u>

NOTE L - TRANSIT FUND

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

The following are required Michigan Department of Transportation disclosures:

- The Hancock Transit has not used any capital money to pay for operating expenses and all ineligible expenses, as defined by the local public transit revenue and expense manual, are properly reported and properly subtracted out as ineligible.
- The City of Hancock currently does not have a cost allocation plan, but is in the process of putting one in place.
- The Hancock Transit has not received auxiliary or non transportation revenue.
- The methodology used for compiling miles and other nonfinancial information used to allocate costs has been reviewed and the recording method has been found to be adequate and reliable.
- Audit costs are not included in the required schedule of operating expenses. However, \$500 of audit fees are included in the annual reconciliation submittal.

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE M - TAX INCREMENT FINANCING

The City had three tax increment financing districts at June 30, 2009, the Downtown Development District (DDD), the Elevation Street City(ESD), and the MTEPS (Smart Zone) City. The taxes on the DDD and the ESD Cities are levied based on the increase of the state equalized value of the properties from the base year to the current year and are levied on both real and personal property. The DDD expanded the base year in 1993 from the 1984 initial base year. The tax revenues generated from the DDD and the ESD are recorded in the Downtown Development Authority Fund and Elevation Street TIFA Fund respectively.

On April 11, 2001, The Michigan Economic Development Corporation approved the application for a Smart Park that was submitted by the Michigan Tech Enterprise Smart Zone (MTEPS). The MTEPS is a partnership between Michigan Technological University, the City of Hancock and the City of Houghton. The MTEPS will be funded for the first 2 years by a state grant. Thereafter, it will be funded through a tax increment financing City which includes the entire Cities of Hancock and Houghton. The tax is levied annually with the school millage only and will continue until the year 2017. The Smart Zone TIF plan will not affect either City's current tax revenue. The tax revenue levied for the summer 2009 Smart Zone was collected and paid in full to the MTEPS as of June 30, 2009, via the Local Development Finance Authority – the financing entity.

Summary of TIF City data as of June 30, 2009:

	<u>TIF District</u>		
	<u>Downtown Development</u>	<u>Local Street (Elevation)</u>	<u>MTEPS</u>
Base year	1984	1993	1999
State Equalized Value (SEV) base year			
Real property	\$ 9,826,000	\$ 143,000	\$ 48,229,352
Personal property	\$ 1,661,780	\$ 0	\$ 2,911,983
Current year SEV			
Real property	\$ 14,454,117	\$ 1,112,815	\$ 71,531,855
Personal property	\$ 1,685,121	\$ 210,468	\$ 4,563,261
Increase (Decrease) of taxable value			
Real	\$ 4,628,117	\$ 969,815	\$ 22,502,503
Personal property	\$ 23,341	\$ 210,468	\$ 1,651,278
Authorized tax mills levied-Homestead	24.2626	21.7095	3.0
Non-homestead	0	0	11.8896
Tax revenue collected	\$ 112,856	\$ 25,623	\$ 178,085

NOTE N - PENSION PLAN

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE N - PENSION PLAN (Continued)

Funding Policy: The City is required to contribute to the plan at an actuarially determined rate. As of July 1, 2008 the rate, as a percent of annual covered payroll, was 8.32%. Effective January 1, 2009 the rate increased to 12.7%. Plan members are required to contribute 3.3% of their annual covered salary. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost: For the year ended June 30, 2009, the City's required and actual pension cost was \$62,227. The annual required contribution percentage was determined as a part of the actuarial valuation on December 31, 2008, using the entry age normal cost method. Significant actuarial assumptions used include a net investment rate of return on assets of 8 percent per year compounded annually, projected salary increases of 4.5 percent per year compounded annually due to inflation, and additional projected salary increases ranging from 0 to 4.5 percent per year depending on an age to reflect merit and longevity. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. Any unfunded actuarial liability is amortized by a level percent of payroll contributions over a period of 30 years.

Three-year Trend Information:

	<u>Fiscal Year Ended March 31</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual pension cost (APC)	\$ 52,093	\$ 48,522	\$ 62,227
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0

	<u>Valuation as of December 31</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial value of assets	\$ 966,625	\$ 1,134,033	\$ 1,267,042
Actuarial accrued liability (entry age)	\$1,336,379	\$ 1,514,031	\$ 1,686,407
Unfunded actuarial liability (UAAL)	\$ 369,754	\$ 379,998	\$ 419,365
Funded ratio	72%	75%	75%
Covered payroll	\$ 525,834	\$ 588,460	\$ 619,135
UAAL as a percentage of covered payroll	70%	65%	68%

The unfunded accrued liability of the plan as of December 31, 2008 was \$419,365.

DEFINED CONTRIBUTION PENSION UNION AGREEMENT

The City provides pension benefits for all Teamster employees per the signed union bargaining agreement. For the year ending June 30, 2009, after adjustment the City made weekly contributions of \$76 per week, per participant to a defined contribution plan based on years of service. In January of 2009 an increase of \$5 was added per week, per participant, increasing the contribution to \$81.

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE O - DEFERRED COMPENSATION PLAN

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

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

NOTE P - DEFICIT FUND BALANCE

The financial statements for the Major Street Fund and Parking Meter Fund had fund deficits at June 30, 2009 of \$54,322 and \$2,788.

NOTE Q - PRIOR PERIOD ADJUSTMENT

During the prior fiscal year there were \$50,713 of construction costs for the city hall that were recorded as expenses on the government wide statements. A prior period adjustment in the amount of \$50,713 was made to reclassify these expenditures as a fixed asset in the prior year and adjust the fund balance as of the beginning of the year.

NOTE R - SUBSEQUENT EVENTS

On May 7, 2009 the City was awarded a 2009 Rental Rehab Grant up to a maximum of \$305,000.

On July 21, 2009 the City was awarded \$150,000 in Neighborhood Stabilization Funds.

NOTE S - RELATED PARTY TRANSACTIONS

The Portage Lake Water and Sewage Authority is a jointly governed organization consisting of five members, of which two are appointed by the respective City Councils of Houghton and Hancock, and the fifth member appointed by the other four members. The entity is not a component unit of the City. Further financial information is detailed in Note A of these financial statements. As of June 30, 2009, Portage Lake Water and Sewage Authority owed The City of Hancock \$2,683, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due to other governmental units.

NOTE T - RISK MANAGEMENT

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

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CITY OF HANCOCK
REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION
June 30, 2009

CITY OF HANCOCK
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 1,498,121	\$ 1,540,727	\$ 1,536,786	\$ (3,941)
State sources	485,594	499,899	485,618	(14,281)
TOTAL REVENUE	<u>1,983,715</u>	<u>2,040,626</u>	<u>2,022,404</u>	<u>(18,222)</u>
EXPENDITURES:				
General government				
Board/Legislative	12,634	21,309	20,209	1,100
Manager	52,265	113,961	99,040	14,921
Clerk	43,052	72,953	64,072	8,881
Treasurer	43,542	58,216	52,730	5,486
Legal, accounting, and audit	27,864	28,000	26,292	1,708
Assessor	34,568	39,237	29,780	9,457
Planning and professional services	7,059	8,726	6,678	2,048
Elections	11,375	14,647	16,025	(1,378)
Building and grounds	56,516	601,898	618,719	(16,821)
Cemetery	31,886	38,786	34,451	4,335
Public safety	653,036	692,398	678,744	13,654
Public works	180,696	240,039	241,003	(964)
Sanitation	287,493	330,323	311,582	18,741
Recreation and culture	131,917	149,610	139,916	9,694
Debt service	50,539	50,539	50,358	181
Inventory sand/Calcium	48,463	-	-	-
Other	65,750	76,586	74,605	1,981
TOTAL EXPENDITURES	<u>1,738,655</u>	<u>2,537,228</u>	<u>2,464,204</u>	<u>73,024</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	245,060	(496,602)	(441,800)	54,802
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	565,845	565,845
Operating transfers out	(177,486)	(351,490)	(350,367)	1,123
NET CHANGE IN FUND BALANCE	<u>\$ 67,574</u>	<u>\$ (848,092)</u>	<u>(226,322)</u>	<u>\$ 621,770</u>
FUND BALANCE - BEGINNING OF YEAR			<u>331,650</u>	
FUND BALANCE - END OF YEAR			<u>\$ 105,328</u>	

CITY OF HANCOCK
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
State and federal	\$ 479,450	\$ 556,000	\$ 514,050	\$ (41,950)
Interest	1,261	1,261	1,392	131
Other revenue	-	600	549	(51)
TOTAL REVENUE	480,711	557,861	515,991	(41,870)
EXPENDITURES:				
General government administration	19,195	31,143	28,703	2,440
Highway and streets:				
Construction	12,658	41,700	42,303	(603)
State trunkline maintenance	212,889	248,078	281,015	(32,937)
Routine maintenance	43,691	30,300	28,824	1,476
Traffic services	2,813	3,751	2,433	1,318
Snow and ice control	131,964	186,805	186,797	8
Sweeping and flushing	7,738	375	238	137
TOTAL EXPENDITURES	430,948	542,152	570,313	(28,161)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,763	15,709	(54,322)	(70,031)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	39,356	39,356	-
Operating transfers out	(20,000)	(20,000)	-	20,000
NET CHANGE IN FUND BALANCE	<u>\$ 29,763</u>	<u>\$ 35,065</u>	(14,966)	<u>\$ (50,031)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>(39,356)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (54,322)</u>	

CITY OF HANCOCK
BUDGETARY COMPARISON SCHEDULE - CDBG FUND
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal	\$ 114,278	\$ 182,000	\$ 187,155	\$ 5,155
Other revenue	-	132,900	132,607	(293)
TOTAL REVENUE	114,278	314,900	319,762	4,862
EXPENDITURES:				
General government	22,856	500	2,000	(1,500)
Public works	91,422	222,900	256,552	
TOTAL EXPENDITURES	114,278	223,400	258,552	(1,500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	91,500	61,210	(30,290)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	
Operating transfers out	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 91,500	61,210	\$ (30,290)
FUND BALANCE - BEGINNING OF YEAR			<u>103,027</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 164,237</u></u>	

CITY OF HANCOCK
SUPPLEMENTAL FINANCIAL INFORMATION
June 30, 2009

CITY OF HANCOCK
GENERAL FUND
BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Cash and cash equivalents	\$ 113,137	\$ 405,520
Investments	84,093	23,590
Receivables		
Delinquent taxes	757	47,173
Service customers (includes unbilled)	12,396	12,728
Other	11,354	11,354
Due from other funds	60,110	69,110
Due from fiduciary funds	279	-
Due from government units	99,579	57,700
Prepaid expenses	30,133	38,028
Inventory	23,160	19,215
Restricted cash	<u>67,342</u>	<u>64,854</u>
TOTAL ASSETS	<u>\$ 502,340</u>	<u>\$ 749,272</u>
LIABILITIES:		
Accounts payable	\$ 23,015	\$ 55,353
Accrued expenses	19,050	16,163
Due to other funds	<u>354,947</u>	<u>346,106</u>
TOTAL LIABILITIES	<u>397,012</u>	<u>417,622</u>
FUND BALANCES:		
Reserved	67,342	64,854
Unreserved	<u>37,986</u>	<u>266,796</u>
TOTAL FUND BALANCES	<u>105,328</u>	<u>331,650</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 502,340</u>	<u>\$ 749,272</u>

CITY OF HANCOCK
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

With Comparative Actual Amounts for Year Ended June 30, 2008

REVENUES:	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
Current taxes:				
Property taxes	\$ 949,000	\$ 947,785	\$ 1,215	\$ 904,236
Personal property taxes	59,700	58,522	1,178	59,403
Penalties & interest on tax	10,000	11,432	(1,432)	6,435
Payments in lieu of tax	14,200	15,018	(818)	12,389
Tax administration fees	<u>39,000</u>	<u>38,942</u>	<u>58</u>	<u>37,305</u>
Total current taxes	<u>1,071,900</u>	<u>1,071,699</u>	<u>201</u>	<u>1,019,768</u>
State and federal revenue:				
DNR grant	-	2,000	(2,000)	-
Federal Grant	-	-	-	33,000
Police training	900	1,697	(797)	1,866
Sales tax	494,430	472,569	21,861	467,326
Liquor tax	<u>4,569</u>	<u>9,352</u>	<u>(4,783)</u>	<u>4,545</u>
Total state and federal revenue	<u>499,899</u>	<u>485,618</u>	<u>14,281</u>	<u>506,737</u>
Charges for services:				
Vault service	2,255	1,530	725	2,805
Burial open and close	7,000	7,660	(660)	9,550
Garbage collection	168,100	167,665	435	155,909
Campground revenue	64,304	62,720	1,584	70,032
Beach rental fees	836	650	186	900
Other charges	104,992	91,857	13,135	97,811
Cemetery lots	<u>5,189</u>	<u>2,300</u>	<u>2889</u>	<u>3,775</u>
Total charges for services	<u>352,676</u>	<u>334,382</u>	<u>18,294</u>	<u>340,782</u>
Fines, forfeitures and penalties	<u>1,700</u>	<u>2,088</u>	<u>(388)</u>	<u>2,879</u>
Rentals:				
Interest income	11,742	11,393	349	30,781
Cemetery interest	418	819	(401)	1,329
Land rents	2,300	2,250	50	2,190
Office rental	<u>7,810</u>	<u>7,620</u>	<u>190</u>	<u>7,620</u>
Total Rentals	<u>22,270</u>	<u>22,082</u>	<u>188</u>	<u>41,920</u>
Other revenue:				
Sale of assets	41,200	41,109	91	425,005
Parks Round-up contributions	105	44	61	147
Sand and salt sales	1,300	1,658	(358)	77
Cable franchise fee	32,300	40,337	(8,037)	19,808
Reimbursement	11,000	16,658	(5,658)	9,598
Licenses and permits	150	120	30	590
Miscellaneous	<u>6,126</u>	<u>6,609</u>	<u>(483)</u>	<u>1,689</u>
Total other revenue	<u>92,181</u>	<u>106,535</u>	<u>(14,354)</u>	<u>456,914</u>
TOTAL REVENUES	<u>2,040,626</u>	<u>2,022,404</u>	<u>18,222</u>	<u>2,369,000</u>

CITY OF HANCOCK
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2009
With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
EXPENDITURES:				
General government administration:				
Legislative	20,543	19,459	1,084	130,415
City manager	113,961	99,040	14,921	99,231
Planning and professional services	8,726	6,678	2,048	14,099
Clerk	72,953	64,072	8,881	62,823
Treasurer	58,216	52,730	5,486	49,044
Attorney	5,000	3,792	1,208	3,618
Assessor	39,237	29,780	9,457	26,696
Elections	14,647	16,025	(1,378)	8,568
Accounting and computer services	23,000	22,500	500	16,965
Board of review	766	750	16	587
Building and grounds	601,898	618,719	(16,821)	69,078
Cemetery	38,786	34,451	4,335	44,595
Total general government administration	<u>997,733</u>	<u>967,996</u>	<u>29,737</u>	<u>525,719</u>
Public safety:				
Police	606,767	598,789	7,978	644,774
Fire	85,631	79,955	5,676	74,670
Total public safety	<u>692,398</u>	<u>678,744</u>	<u>13,654</u>	<u>719,444</u>
Public works:				
Department of public works	154,600	150,181	4,419	98,672
Winter maintenance	620	614	6	1,065
Equipment rental-street lighting	84,819	90,208	(5,389)	88,620
Sidewalks and curbs	-	-	-	83
Total public works	<u>240,039</u>	<u>241,003</u>	<u>(964)</u>	<u>188,440</u>
Sanitation:				
Garbage collection	188,600	173,912	14,688	168,483
Landfill	100,150	95,661	4,489	84,571
Spring and fall cleanup	41,573	42,009	(436)	41,085
Total sanitation	<u>330,323</u>	<u>311,582</u>	<u>18,741</u>	<u>294,139</u>
Culture and recreation:				
Parks	48,485	46,814	1,671	25,349
Water front development	2,770	2,522	248	6,515
Beach	17,835	9,747	8,088	18,037
Campground	57,000	56,461	539	77,053
Ski trails	12,400	11,810	590	10,758
Skating rinks	11,120	12,562	(1,442)	7,211
Total culture and recreation	<u>149,610</u>	<u>139,916</u>	<u>9,694</u>	<u>144,923</u>

CITY OF HANCOCK
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2009
With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
Debt Service	<u>50,539</u>	<u>50,358</u>	<u>181</u>	<u>49,590</u>
Other:				
Community promotion	39,614	38,517	1,097	51,317
Insurance	<u>36,972</u>	<u>36,088</u>	<u>884</u>	<u>35,615</u>
Total other	<u>76,586</u>	<u>74,605</u>	<u>1,981</u>	<u>86,932</u>
TOTAL EXPENDITURES	<u>2,537,228</u>	<u>2,464,204</u>	<u>73,024</u>	<u>2,009,187</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(496,602)</u>	<u>(441,800)</u>	<u>(54,802)</u>	<u>359,813</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	565,845	(565,845)	52,488
Operating transfers out	<u>(351,490)</u>	<u>(350,367)</u>	<u>(1,123)</u>	<u>(632,039)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>(351,490)</u>	<u>215,478</u>	<u>(566,968)</u>	<u>(579,551)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (848,092)</u>	(226,322)	<u>\$ (621,770)</u>	(219,738)
FUND BALANCE, BEGINNING OF YEAR		<u>331,650</u>		<u>551,388</u>
FUND BALANCE, END OF YEAR		<u>\$ 105,328</u>		<u>\$ 331,650</u>

CITY OF HANCOCK
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	Major Street	Local Street	Community Development Block Grant	Elevation Street TIF	Totals (Memorandum Only)	
					2009	2008
ASSETS:						
Cash	\$ 96,426	\$ 55,930	\$ -	\$ 144,050	\$ 296,406	\$ 137,652
Restricted cash	-	-	172,897	-	172,897	103,027
Taxes receivable	-	45,783	-	45	45,828	78,058
Due from other funds	-	201,884	-	-	201,884	134,192
Due from other governmental units	33,566	15,507	-	-	49,073	54,863
Total assets	\$ 129,992	\$ 319,104	\$ 172,897	\$ 144,095	\$ 766,088	\$ 507,792
LIABILITIES:						
Accounts payable	\$ 83	\$ -	\$ 8,660	\$ -	\$ 8,743	\$ 2,363
Accrued expenses	821	1,099	-	-	1,920	2,855
Due to other funds	183,410	318,005	-	-	501,415	454,427
Total liabilities	184,314	319,104	8,660	-	512,078	459,645
FUND EQUITY:						
Fund Balance - Reserved	-	-	164,237	-	164,237	86,316
Fund Balance - Unreserved	(54,322)	-	-	144,095	89,773	(38,169)
TOTAL FUND EQUITY	(54,322)	-	164,237	144,095	254,010	48,147
TOTAL LIABILITIES AND FUND EQUITY	\$ 129,992	\$ 319,104	\$ 172,897	\$ 144,095	\$ 766,088	\$ 507,792

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

June 30, 2009/2008

	Major Street	Local Street	Community Development Block Grant	Elevation Street TIF	Totals (Memorandum Only)	
					2009	2008
REVENUES:						
Current taxes	\$ -	\$ 83,822	\$ -	\$ 25,623	\$ 109,445	\$ 101,810
State and Federal revenue	514,050	166,599	187,155	-	867,804	1,062,114
Interest	1,392	1,072	-	2,348	4,812	4,004
Other revenue	549	-	132,607	-	133,156	76,587
Total revenues	515,991	251,493	319,762	27,971	1,115,217	1,244,515
EXPENDITURES:						
General government administration	28,703	7,724	-	-	36,427	26,405
Highway and streets:						
Construction	42,303	10,937	-	-	53,240	557,631
State trunkline maintenance	281,015	-	-	-	281,015	242,661
Routine maintenance	28,824	68,112	-	-	96,936	119,034
Traffic services	2,433	1,457	-	-	3,890	7,954
Snow and ice control	186,797	229,733	-	-	416,530	387,568
Sweeping and flushing	238	1,222	-	-	1,460	3,960
State grant expenditures	-	-	258,552	-	258,552	121,497
Total expenditures	570,313	319,185	258,552	-	1,148,050	1,466,710
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(54,322)	(67,692)	61,210	27,971	(32,833)	(222,195)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	39,356	199,340	-	-	238,696	225,422
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(14,966)	131,648	61,210	27,971	205,863	3,227
FUND BALANCE, BEGINNING OF YEAR	(39,356)	(131,648)	103,027	116,124	48,147	44,920
FUND BALANCE, END OF YEAR	\$ (54,322)	\$ -	\$ 164,237	\$ 144,095	\$ 254,010	\$ 48,147

CITY OF HANCOCK
MAJOR STREET FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
State and federal	\$ 556,000	\$ 514,050	\$ 41,950	\$ 850,432
Interest	1,261	1,392	(131)	1,122
Other revenue	600	549	51	997
TOTAL REVENUES	<u>557,861</u>	<u>515,991</u>	<u>41,870</u>	<u>852,551</u>
EXPENDITURES:				
General government administration	<u>31,143</u>	<u>28,703</u>	<u>2,440</u>	<u>19,548</u>
Highway and streets:				
Construction	41,700	42,303	(603)	428,433
State trunkline maintenance	248,078	281,015	(32,937)	242,661
Routine maintenance	30,300	28,824	1,476	25,671
Traffic services	3,751	2,433	1,318	3,712
Snow and ice control	186,805	186,797	8	159,681
Sweeping and flushing	375	238	137	696
Total highway and streets	<u>511,009</u>	<u>541,610</u>	<u>(30,601)</u>	<u>860,854</u>
TOTAL EXPENDITURES	<u>542,152</u>	<u>570,313</u>	<u>(28,161)</u>	<u>880,402</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>15,709</u>	<u>(54,322)</u>	<u>70,031</u>	<u>(27,851)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	39,356	39,356	-	72,475
Operating transfers out	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>	<u>(21,505)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>19,356</u>	<u>39,356</u>	<u>(20,000)</u>	<u>50,970</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 35,065</u>	<u>(14,966)</u>	<u>\$ 50,031</u>	<u>23,119</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(39,356)</u>		<u>(62,475)</u>
FUND BALANCE, END OF YEAR		<u>\$ (54,322)</u>		<u>\$ (39,356)</u>

CITY OF HANCOCK
LOCAL STREET FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Taxes	\$ 95,977	\$ 83,822	\$ 12,155	\$ 78,013
State and federal	193,725	166,599	27,126	149,064
Income revenue	<u>990</u>	<u>1,072</u>	<u>(82)</u>	<u>389</u>
TOTAL REVENUES	<u>290,692</u>	<u>251,493</u>	<u>39,199</u>	<u>227,466</u>
EXPENDITURES:				
General government administration	<u>9,614</u>	<u>7,724</u>	<u>1,890</u>	<u>6,857</u>
Highway and streets:				
Construction	14,000	10,937	3,063	129,198
Routine maintenance	78,150	68,112	10,038	93,363
Traffic services	2,471	1,457	1,014	4,242
Snow and ice control	229,020	229,733	(713)	227,887
Sweeping and flushing	<u>1,080</u>	<u>1,222</u>	<u>(142)</u>	<u>3,264</u>
Total highway and streets	<u>324,721</u>	<u>311,461</u>	<u>13,260</u>	<u>457,954</u>
TOTAL EXPENDITURES	<u>334,335</u>	<u>319,185</u>	<u>15,150</u>	<u>464,811</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(43,643)</u>	<u>(67,692)</u>	<u>24,049</u>	<u>(237,345)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>261,648</u>	<u>199,340</u>	<u>62,308</u>	<u>174,452</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>261,648</u>	<u>199,340</u>	<u>62,308</u>	<u>174,452</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 218,005</u>	131,648	<u>\$ 86,357</u>	(62,893)
FUND BALANCE, BEGINNING OF YEAR		<u>(131,648)</u>		<u>(68,755)</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ (131,648)</u>

CITY OF HANCOCK
COMMUNITY DEVELOPMENT BLOCK GRANT FUND-M2000-0657 (NPP)
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2009
With Comparative Actual Amounts for Year Ended June 30, 2008

	Budget	2009	Variance	2008
REVENUES:				
Federal grant	\$ 182,000	\$ 187,155	\$ (5,155)	\$ 62,618
Other revenue	132,900	132,607	293	75,590
TOTAL REVENUES	314,900	319,762	(4862)	138,208
EXPENDITURES:				
Administration	500	2,000	(1,500)	307
Construction	222,900	256,552	(33,652)	121,190
TOTAL EXPENDITURES	223,400	258,552	(35,152)	121,497
EXCESS OF REVENUES OVER EXPENDITURES	91,500	61,210	30,290	16,711
OTHER FINANCING SOURCES (USES):				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 91,500	61,210	\$ 30,290	16,711
FUND BALANCE, BEGINNING OF YEAR		103,027		86,316
FUND BALANCE, END OF YEAR		\$ 164,237		\$ 103,027

CITY OF HANCOCK
ELEVATION STREET TIFA
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Taxes	\$ 25,920	\$ 25,623	\$ 297	\$ 23,797
Interest	1,700	2,348	(648)	2,493
TOTAL REVENUES	27,620	27,971	(351)	26,290
 EXPENDITURES:				
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 27,620	27,971	\$ (351)	26,290
 FUND BALANCE, BEGINNING OF YEAR		116,124		89,834
 FUND BALANCE, END OF YEAR		\$ 144,095		\$ 116,124

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

June 30, 2009

With Comparative Totals at June 30, 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Cash	<u>\$ 1,268</u>	<u>\$ 1,818</u>
FUND BALANCES:		
Reserved	<u>\$ 1,268</u>	<u>\$ 1,818</u>

CITY OF HANCOCK
DEBT SERVICE (BUILDING AUTHORITY) FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Rental income	\$ 141,591	\$ 130,213	\$ 11,378	\$ 97,735
Interest income	<u>252</u>	<u>43</u>	<u>209</u>	<u>58</u>
TOTAL REVENUES	<u>141,843</u>	<u>130,256</u>	<u>11,587</u>	<u>97,793</u>
EXPENDITURES:				
Bond principal	46,140	50,000	(3,860)	33,000
Bond interest and other expense	95,451	80,761	14,690	64,735
Miscellaneous	<u>-</u>	<u>45</u>	<u>(45)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>141,591</u>	<u>130,806</u>	<u>10,785</u>	<u>97,735</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 252</u>	(550)	<u>\$ 802</u>	58
FUND BALANCE, BEGINNING OF YEAR		<u>1,818</u>		<u>1,760</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,268</u>		<u>\$ 1,818</u>

CITY OF HANCOCK
RESIDENTIAL CAPITAL PROJECTS
BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	2009	2008
ASSETS:		
Cash	\$ 15,279	\$ 32,517
TOTAL ASSETS	\$ 15,279	\$ 32,517
LIABILITIES:		
Accounts payable	\$ -	\$ 50
Accrued expenses	-	397
Due to other funds	-	107,741
TOTAL LIABILITIES	-	108,188
FUND BALANCES:		
Unreserved	15,279	(75,671)
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,279	\$ 32,517

CITY OF HANCOCK
RESIDENTIAL CAPITAL PROJECTS
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Other revenue:				
Lot sales	\$ 16,000	\$ 16,000	\$ -	\$ 17,101
Other income	-	1,000	(1,000)	-
Interest	<u>500</u>	<u>473</u>	<u>27</u>	<u>197</u>
TOTAL REVENUES	<u>16,500</u>	<u>17,473</u>	<u>(973)</u>	<u>17,298</u>
EXPENDITURES:				
General government administration	100	50	50	68
Construction	<u>3,400</u>	<u>2,144</u>	<u>1,256</u>	<u>94,887</u>
TOTAL EXPENDITURES	<u>3,500</u>	<u>2,194</u>	<u>1,306</u>	<u>94,955</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>13,000</u>	<u>15,279</u>	<u>(2,279)</u>	<u>(77,657)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>-</u>	<u>75,671</u>	<u>(75,671)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>75,671</u>	<u>(75,671)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 13,000</u>	90,950	<u>\$ (77,950)</u>	(77,657)
FUND BALANCE, BEGINNING OF YEAR		<u>(75,671)</u>		<u>1,986</u>
FUND BALANCE, END OF YEAR		<u>\$ 15,279</u>		<u>\$ (75,671)</u>

CITY OF HANCOCK
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	Parking Meter	Transit	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
					2009	2008
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 1,476	\$ 16,659	\$ 49,376	\$ (4,708)	\$ 62,803	\$ 96,271
Investments	-	-	3,502	-	3,502	33,420
Restricted cash	-	-	13,517	116,415	129,932	17,266
Restricted investments	-	-	114,057	197,544	311,601	310,994
Accounts receivable	80	40	47,067	71,911	119,098	87,182
Due from other government	-	29,567	2,683	-	32,250	-
Inventory	-	-	38,552	61,857	100,409	75,914
Prepaid expenses	-	2,424	-	650	3,074	2,475
Total current assets	1,556	48,690	268,754	443,669	762,669	623,522
Property, plant, and equipment	30,893	295,629	5,787,904	9,133,093	15,247,519	12,263,403
Accumulated depreciation & amortization	(30,893)	(133,921)	(4,741,502)	(3,507,918)	(8,414,234)	(8,172,299)
	-	161,708	1,046,402	5,625,175	6,833,285	4,091,104
TOTAL ASSETS	\$ 1,556	\$ 210,398	\$ 1,315,156	\$ 6,068,844	\$ 7,595,954	\$ 4,714,626

CITY OF HANCOCK
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS (CONTINUED)

June 30, 2009

With Comparative Totals at June 30, 2008

	Parking Meter	Transit	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
					2009	2008
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ -	\$ 11,721	\$ -	\$ 1,394	\$ 13,115	\$ 46,728
Accrued expenses	283	2,731	1,685	3,965	8,664	4,074
Due to other funds	4,061	-	116,087	240,078	360,226	114,841
Due to other governmental units	-	-	-	-	-	47,378
Current maturities on long term debt	-	-	10,000	113,000	123,000	36,000
Total current liabilities	4,344	14,452	127,772	358,437	505,005	249,021
Long-term liabilities:						
Bonds payable	-	-	45,000	4,839,466	4,884,466	2,095,320
TOTAL LIABILITIES	4,344	14,452	172,772	5,197,903	5,389,471	2,344,341
FUND EQUITY:						
Contributed capital	-	161,013	-	-	161,013	175,464
Retained earnings:						
Reserved	-	-	127,574	313,959	441,533	186,783
Unreserved	(2,788)	34,933	1,014,810	556,982	1,603,937	2,008,038
Total retained earnings	(2,788)	34,933	1,142,384	870,941	2,045,470	2,194,821
TOTAL FUND EQUITY	(2,788)	195,946	1,142,384	870,941	2,206,483	2,370,285
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,556	\$ 210,398	\$ 1,315,156	\$ 6,068,844	\$ 7,595,954	\$ 4,714,626

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

June 30, 2009

With Comparative Totals at June 30, 2008

	Parking		Sewer Fund	Water Fund	Totals (Memorandum Only)	
	Meter	Transit			2009	2008
OPERATING REVENUES:						
Sales and charges for services	\$ 12,088	\$ 37,740	\$ 597,344	\$ 863,563	\$ 1,510,735	\$ 1,342,309
State Grant	-	79,728	-	-	79,728	92,332
Federal Grant	-	40,629	-	-	40,629	148,942
Other revenue	-	14,580	-	4,046	18,626	26,090
TOTAL OPERATING REVENUES	12,088	172,677	597,344	867,609	1,649,718	1,609,673
OPERATING EXPENSES:						
General administration	21,409	22,232	38,598	59,282	141,521	123,899
Meter reading	-	-	10,030	10,028	20,058	18,928
Purchased services	-	-	464,763	174,755	639,518	635,348
Operations and maintenance	-	124,334	140,005	431,312	695,651	595,606
Depreciation	-	37,186	98,318	106,432	241,936	218,818
TOTAL OPERATING EXPENSES	21,409	183,752	751,714	781,809	1,738,684	1,592,599
OPERATING INCOME (LOSS)	(9,321)	(11,075)	(154,370)	85,800	(88,966)	17,074
NON-OPERATING REVENUES (EXPENSES):						
Interest income	22	201	2,275	7,344	9,842	18,938
Interest expense	-	-	(3,250)	(117,428)	(120,678)	(75,011)
Operating transfers in	6,000	30,000	-	-	36,000	406,617
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,022	30,201	(975)	(110,084)	(74,836)	350,544
NET INCOME (LOSS)	(3,299)	19,126	(155,345)	(24,284)	(163,802)	367,618
RETAINED EARNINGS (DEFICIT), BEGINNING OF THE YEAR	511	176,820	1,297,729	895,225	2,370,285	2,002,667
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ (2,788)	\$ 195,946	\$ 1,142,384	\$ 870,941	\$ 2,206,483	\$ 2,370,285

CITY OF HANCOCK
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year Ended June 30, 2009

	Parking Meter Fund	Transit Fund	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 12,088	\$ 37,740	\$ 591,533	\$ 837,457	\$ 1,478,818
Payments to suppliers	(2,375)	(66,235)	(564,564)	(402,480)	(1,035,654)
Internal activity - receipts (payments) to other funds	(8,136)	(20,653)	(86,728)	(194,133)	(309,650)
Payments to employees	(11,063)	(80,494)	(64,728)	(128,904)	(285,189)
Other receipts (payments)	-	134,937	-	4,046	138,983
Net cash provided by operating activities	<u>(9,486)</u>	<u>5,295</u>	<u>(124,487)</u>	<u>115,986</u>	<u>(12,692)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies and transfers to other funds	<u>8,625</u>	<u>30,000</u>	<u>114,627</u>	<u>128,133</u>	<u>281,385</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan proceeds	-	-	-	2,912,146	2,912,146
Purchases of capital assets	-	(31,048)	-	(2,953,068)	(2,984,116)
Principal paid on capital debt	-	-	(10,000)	(26,000)	(36,000)
Interest paid on capital debt	-	-	(3,250)	(117,428)	(120,678)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(31,048)</u>	<u>(13,250)</u>	<u>(184,350)</u>	<u>(228,648)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	<u>22</u>	<u>201</u>	<u>2,275</u>	<u>7,344</u>	<u>9,842</u>
Net cash provided by investing activities	<u>22</u>	<u>201</u>	<u>2,275</u>	<u>7,344</u>	<u>9,842</u>
Net (decrease) in cash and cash equivalents	(839)	4,448	(20,835)	67,113	49,887
Balances – beginning of the year	<u>2,315</u>	<u>12,211</u>	<u>201,287</u>	<u>242,138</u>	<u>457,951</u>
Balances – end of the year	<u>\$ 1,476</u>	<u>\$ 16,659</u>	<u>\$ 180,452</u>	<u>\$ 309,251</u>	<u>\$ 507,838</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (9,321)	\$ (11,075)	\$ (154,370)	\$ 85,800	\$ (88,966)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	37,186	98,318	106,432	241,936
Change in assets and liabilities					
Receivables, net	-	-	(5,811)	(26,106)	(31,917)
Due to/from other governmental units	-	(29,567)	(50,061)	-	(79,628)
Inventory	-	-	(9,722)	(14,773)	(24,495)
Prepaid expenses	-	51	-	(650)	(599)
Accounts and other payables	(5)	7,558	(3,798)	(37,368)	(33,613)
Accrued expenses	(160)	1,142	957	2,651	4,590
Net cash provided by operating activities	<u>\$ (9,486)</u>	<u>\$ 5,295</u>	<u>\$ (124,487)</u>	<u>\$ 115,986</u>	<u>\$ (12,692)</u>

CITY OF HANCOCK
PARKING METER FUND
BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,476	\$ 2,315
Accounts receivable	80	80
Fixed Assets:		
Equipment	30,893	30,893
Less accumulated depreciation & amortization	<u>(30,893)</u>	<u>(30,893)</u>
TOTAL ASSETS	<u>\$ 1,556</u>	<u>\$ 2,395</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ -	\$ 5
Accrued wages payable	283	443
Due to other funds	<u>4,061</u>	<u>1,436</u>
TOTAL LIABILITIES	<u>4,344</u>	<u>1,884</u>
FUND EQUITY:		
Retained Earnings	<u>(2,788)</u>	<u>511</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,556</u>	<u>\$ 2,395</u>

CITY OF HANCOCK
PARKING METER FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year Ended June 30, 2009

With Comparative Actual Amounts for Year ended June 30, 2008

	BUDGET	ACTUAL	VARIANCE	2008
OPERATING REVENUES:				
Charges for services:	\$ 11,150	\$ 12,088	\$ (938)	\$ 12,095
OPERATING EXPENSES:				
General administration	22,342	21,409	933	19,822
TOTAL OPERATING EXPENSES	22,342	21,409	933	19,822
OPERATING INCOME (LOSS)	(11,192)	(9,321)	(1,871)	(7,727)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	25	22	3	43
Operating transfers in	6,000	6,000	-	5,300
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,025	6,022	3	5,343
NET INCOME (LOSS)	\$ (5,167)	(3,299)	\$ (1,868)	(2,384)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		511		2,895
RETAINED EARNINGS (DEFICIT), END OF YEAR		\$ (2,788)		\$ 511

CITY OF HANCOCK
SEWER DISPOSAL SYSTEM FUND
BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Current Assets		
Cash and cash equivalents	\$ 49,376	\$ 48,616
Investments	3,502	33,420
Accounts Receivable	47,067	41,256
Due from other government	2,683	-
Inventory	38,552	28,830
Restricted Assets:		
Investments	114,057	112,451
Cash	13,517	6,800
Fixed Assets:		
Utility plant in service	5,787,904	5,787,904
Less accumulated depreciation & amortization	<u>(4,741,502)</u>	<u>(4,643,184)</u>
TOTAL ASSETS:	<u>\$ 1,315,156</u>	<u>\$ 1,416,093</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ -	\$ 3,798
Accrued expenses	1,685	728
Due to other funds	116,087	1,460
Due to other governmental units	-	47,378
Current maturities on long-term debt	10,000	10,000
Long-term Liabilities:		
Revenue bonds payable	<u>45,000</u>	<u>55,000</u>
TOTAL LIABILITIES	<u>172,772</u>	<u>118,364</u>
FUND EQUITY:		
Retained Earnings:		
Reserved	127,574	153,238
Unreserved	<u>1,014,810</u>	<u>1,144,491</u>
TOTAL FUND EQUITY	<u>1,142,384</u>	<u>1,297,729</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,315,156</u>	<u>\$ 1,416,093</u>

CITY OF HANCOCK
SEWER DISPOSAL SYSTEM FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2009
With Comparative Totals for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
OPERATING REVENUES:				
Charges for services	\$ 603,500	\$ 597,344	\$ 6,156	\$ 599,545
Other revenue	126	-	126	-
	<u>603,626</u>	<u>597,344</u>	<u>6,282</u>	<u>599,545</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES:				
General administration	-	38,598	(38,598)	35,546
Meter reading	-	10,030	(10,030)	9,457
Operations and maintenance	-	140,005	(140,005)	131,667
Share of Portage Lake W & S Auth plant expense	-	464,763	(464,763)	458,256
Depreciation	-	98,318	(98,318)	98,858
	<u>-</u>	<u>751,714</u>	<u>(751,714)</u>	<u>733,784</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	603,626	(154,370)	757,996	(134,239)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	2,500	2,275	225	7,315
Interest expense	-	(3,250)	3,250	(3,750)
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	44,575
	<u>2,500</u>	<u>(975)</u>	<u>3,475</u>	<u>48,140</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)				
NET INCOME (LOSS)	<u>\$ 606,126</u>	<u>(155,345)</u>	<u>\$ 761,471</u>	<u>(86,099)</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>1,297,729</u>		<u>1,383,828</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 1,142,384</u>		<u>\$ 1,297,729</u>

CITY OF HANCOCK
WATER SUPPLY SYSTEM FUND
BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ (4,708)	\$ 33,129
Accounts receivable	71,911	45,806
Inventory	61,857	47,084
Prepaid expenses	650	-
Restricted Assets:		
Restricted cash	116,415	10,466
Restricted investments	197,544	198,543
Fixed Assets:		
Property, plant, and equipment	9,133,093	6,180,025
Accumulated depreciation & amortization	<u>(3,507,918)</u>	<u>(3,401,487)</u>
TOTAL ASSETS	<u>\$ 6,068,844</u>	<u>\$ 3,113,566</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,394	\$ 38,762
Accrued expenses	3,965	1,314
Due to other funds	240,078	111,945
Current maturities on long term debt	113,000	26,000
Long-term liabilities:		
Revenue bonds payable	<u>4,839,466</u>	<u>2,040,320</u>
TOTAL LIABILITIES	<u>5,197,903</u>	<u>2,218,341</u>
FUND EQUITY:		
Retained Earnings:		
Reserved	313,959	209,009
Unreserved	<u>556,982</u>	<u>686,216</u>
TOTAL FUND EQUITY	<u>870,941</u>	<u>895,225</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,068,844</u>	<u>\$ 3,113,566</u>

CITY OF HANCOCK
WATER SUPPLY SYSTEM FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year Ended June 30, 2009
With Comparative Actual Amounts for Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
OPERATING REVENUES:				
Sales and charges for services	\$ 763,000	\$ 863,563	\$ (100,563)	\$ 695,621
Other revenue	2,902,125	4,046	2,898,079	7,710
	<u>3,665,125</u>	<u>867,609</u>	<u>2,797,516</u>	<u>703,331</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES:				
General administration	63,575	59,282	4,293	64,111
Meter reading	10,607	10,028	579	9,471
Purchase of Water	180,000	174,755	5,245	177,092
Operations and maintenance	364,123	431,312	(67,189)	348,668
Depreciation	-	106,432	(106,432)	106,432
	<u>618,305</u>	<u>781,809</u>	<u>(163,504)</u>	<u>705,774</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	3,046,820	85,800	2,961,020	(2,443)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	6,900	7,344	(444)	11,243
Interest expense	(321,459)	(117,428)	(204,031)	(71,261)
Operating transfers in	-	-	-	336,425
	<u>(314,559)</u>	<u>(110,084)</u>	<u>(204,475)</u>	<u>276,407</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)				
NET INCOME (LOSS)	<u>\$ 2,732,261</u>	<u>(24,284)</u>	<u>\$ 2,756,545</u>	273,964
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>895,225</u>		<u>621,261</u>
ADJUSTMENTS TO FUND EQUITY:				
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 870,941</u>		<u>\$ 895,225</u>

CITY OF HANCOCK
TRANSIT FUND
BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	2009	2008
ASSETS:		
Current assets:		
Cash	\$ 16,659	\$ 12,211
Accounts receivable	40	40
Due from other governmental units	29,567	-
Prepaid Expenses	2,424	2,475
Fixed Assets:		
Vehicles and equipment	295,629	264,581
Accumulated depreciation	(133,921)	(96,735)
TOTAL ASSETS	\$ 210,398	\$ 182,572
 LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 11,721	\$ 4,163
Accrued expenses	2,731	1,589
TOTAL LIABILITIES	14,452	5,752
 FUND EQUITY:		
Contributed capital	161,013	175,464
Retained earnings:	34,933	1,356
TOTAL FUND EQUITY	195,946	176,820
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 210,398	 \$ 182,572

CITY OF HANCOCK
TRANSIT FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2009
With Comparative Totals at June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
OPERATING REVENUES:				
Sales and charges for services	\$ 38,300	\$ 37,740	\$ 560	\$ 35,048
State grant	58,706	79,728	(21,022)	92,332
Federal grant	42,000	40,629	1,371	148,942
Other revenue	600	14,580	(13,980)	18,380
	<u>139,606</u>	<u>172,677</u>	<u>(33,071)</u>	<u>294,702</u>
OPERATING EXPENSES:				
General administration	27,700	22,232	5,468	4,420
Operations and maintenance	141,979	124,334	17,645	115,271
Depreciation	-	37,186	(37,186)	13,528
TOTAL OPERATING EXPENSES	<u>169,679</u>	<u>183,752</u>	<u>(14,073)</u>	<u>133,219</u>
OPERATING INCOME (LOSS)	(30,073)	(11,075)	(18,998)	161,483
NON-OPERATING REVENUES (EXPENSES):				
Interest income	200	201	(1)	337
Operating transfers in	30,129	30,000	129	20,317
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>30,329</u>	<u>30,201</u>	<u>128</u>	<u>20,654</u>
NET INCOME (LOSS)	<u>\$ 256</u>	19,126	<u>\$ (18,870)</u>	182,137
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>176,820</u>		<u>(5,317)</u>
ADJUSTMENTS TO FUND EQUITY:				
Depreciation on contributed capital		<u>45,499</u>		<u>-</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 195,946</u>		<u>\$ 176,820</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEETS

June 30, 2009

With Comparative Totals at June 30, 2008

	Employee Benefit	Motor Vehicle	Totals (Memorandum Only)	
			2009	2008
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 29,669	\$ 72,177	\$ 101,846	\$ 82,000
Restricted cash	2,023	-	2,023	1,681
Accounts receivable	6,386	1,141	7,527	1,142
Due from other funds	205,129	749,465	954,594	819,813
Due from component unit	-	16,917	16,917	8,292
Inventory	-	29,799	29,799	27,718
Prepaid expenses	11,646	16,422	28,068	59,356
Total current assets	<u>254,853</u>	<u>885,921</u>	<u>1,140,774</u>	<u>1,000,002</u>
Fixed Assets:				
Equipment	-	2,000,915	2,000,915	1,719,457
Accumulated depreciation & amortization	-	(1,603,719)	(1,603,719)	(1,489,953)
Total Fixed Assets	<u>-</u>	<u>397,196</u>	<u>397,196</u>	<u>229,504</u>
TOTAL ASSETS	<u>\$ 254,853</u>	<u>\$ 1,283,117</u>	<u>\$ 1,537,970</u>	<u>\$ 1,229,506</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 13,792	\$ 312	\$ 14,104	\$ 28,255
Accrued sick and vacation	169,761	-	169,761	170,335
Accrued wages payable	5,380	1,008	6,388	9,397
Current maturities on long term debt	-	101,604	101,604	61,247
Total current liabilities	<u>188,933</u>	<u>102,924</u>	<u>291,857</u>	<u>269,234</u>
Long-term liabilities:				
Notes payable	<u>-</u>	<u>357,003</u>	<u>357,003</u>	<u>201,450</u>
TOTAL LIABILITIES	<u>188,933</u>	<u>459,927</u>	<u>648,860</u>	<u>470,684</u>
FUND EQUITY:				
Retained earnings:				
Reserved	2,023	-	2,023	1,681
Unreserved	63,897	823,190	887,087	757,141
Total retained earnings	<u>65,920</u>	<u>823,190</u>	<u>889,110</u>	<u>758,822</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 254,853</u>	<u>\$ 1,283,117</u>	<u>\$ 1,537,970</u>	<u>\$ 1,229,506</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 2009
With Comparative Totals for Year ended June 30, 2008

	Employee Benefit	Motor Vehicle	<u>Totals</u>	
			2009	2008
OPERATING REVENUES:				
Charges for services	\$ 831,392	\$ 655,215	\$ 1,486,607	\$ 1,381,280
Other revenue	58,383	645	59,028	48,020
TOTAL OPERATING REVENUES	889,775	655,860	1,545,635	1,429,300
OPERATING EXPENSES:				
General government administration	10	25,479	25,489	26,661
Garage maintenance	-	103,373	103,373	104,961
Operations and maintenance	-	269,010	269,010	265,373
Depreciation	-	113,765	113,765	99,048
Benefit payments:				
Payroll taxes	120,980	-	120,980	114,746
Retirement plan expense	112,553	-	112,553	84,236
Holiday pay	38,321	-	38,321	36,703
Sick pay/personal leave	38,121	-	38,121	38,493
Vacation pay	78,617	-	78,617	74,096
Workers' compensation insurance	43,398	-	43,398	51,460
Hospitalization insurance	432,943	-	432,943	371,225
Employee life insurance	2,332	-	2,332	2,370
Longevity pay	19,466	-	19,466	18,150
Employee picnic	600	-	600	738
Other	7,516	-	7,516	11,326
TOTAL OPERATING EXPENSES	894,857	511,627	1,406,484	1,299,586
OPERATING INCOME (LOSS)	(5,082)	144,233	139,151	129,714
NON-OPERATING REVENUES (EXPENSES):				
Gain on sale of assets	-	40	40	350
Interest income	455	374	829	1,357
Interest expense	-	(9,732)	9,732	(6,111)
TOTAL NON-OPERATING REVENUES (EXPENSES)	455	(9,318)	(8,863)	(4,404)
NET INCOME (LOSS)	(4,627)	134,915	130,288	125,310
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	70,547	688,275	758,822	633,512
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 65,920	\$ 823,190	\$ 889,110	\$ 758,822

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOW
Year Ended June 30, 2009

	<u>Employee Benefit</u>	<u>Motor Vehicle</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ (6,386)	\$ 1	\$ (6,385)
Payments to suppliers	(860,569)	(341,742)	(1,202,311)
Internal activity -- receipts (payments) to other funds	831,392	613,488	1,444,880
Payments to employees	(3,763)	(50,363)	(54,126)
Other receipts (payments)	<u>58,383</u>	<u>646</u>	<u>59,029</u>
Net cash provided by operating activities	<u>19,057</u>	<u>222,030</u>	<u>241,087</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>(19,617)</u>	<u>(106,872)</u>	<u>(126,489)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	257,143	257,143
Purchases of capital assets	-	(281,458)	(281,458)
Sale of capital assets	-	40	40
Principal paid on capital debt	-	(61,232)	(61,232)
Interest paid on capital debt	<u>-</u>	<u>(9,732)</u>	<u>(9,732)</u>
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(95,239)</u>	<u>(95,239)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	-	-	-
Interest and dividends	<u>455</u>	<u>374</u>	<u>829</u>
Net cash provided by investing activities	<u>455</u>	<u>374</u>	<u>829</u>
Net (decrease) in cash and cash equivalents	(105)	20,293	20,188
Balances – beginning of the year	<u>31,797</u>	<u>51,884</u>	<u>83,681</u>
Balances – end of the year	<u>\$ 31,692</u>	<u>\$ 72,177</u>	<u>\$ 103,869</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (5,082)	\$ 144,233	\$ 139,151
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	113,765	113,765
Change in assets and liabilities			
Receivables, net	(6,386)	1	(6,385)
Due from component unit	-	(16,917)	(16,917)
Inventory	-	(2,081)	(2,081)
Prepaid expenses	32,719	(1,431)	31,288
Accounts and other payables	1,569	(15,720)	(14,151)
Due to other governmental units	-	-	-
Accrued expenses	<u>(3,763)</u>	<u>180</u>	<u>(3,583)</u>
Net cash provided by operating activities	<u>\$ 19,057</u>	<u>\$ 222,030</u>	<u>\$ 241,087</u>

CITY OF HANCOCK
EMPLOYEE BENEFIT FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2009

With Comparative Actual Amounts for Year ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
OPERATING REVENUES:				
Charges for services	\$ 832,380	\$ 831,392	\$ 988	\$ 760,680
Other revenue	<u>59,670</u>	<u>58,383</u>	<u>1,287</u>	<u>45,972</u>
TOTAL OPERATING REVENUES	<u>892,050</u>	<u>889,775</u>	<u>2,275</u>	<u>806,652</u>
EXPENSES:				
General government administration	1,640	10	1,630	773
Benefit payments:				
Payroll taxes	109,967	120,980	(11,013)	114,746
Retirement plan expense	111,973	112,553	(580)	84,236
Holiday pay	35,351	38,321	(2970)	36,703
Sick pay/personal leave	39,159	38,121	1,038	38,493
Vacation pay	78,000	78,617	(617)	74,096
Workers' compensation insurance	53,321	43,398	9923	51,460
Hospitalization insurance	425,000	432,943	(7,943)	371,225
Employee life insurance	2,563	2,332	231	2,370
Longevity pay	19,500	19,466	34	18,150
Employee picnic	757	600	157	738
Other	<u>7,678</u>	<u>7,516</u>	<u>162</u>	<u>11,326</u>
TOTAL OPERATING EXPENSES	<u>884,909</u>	<u>894,857</u>	<u>(9,948)</u>	<u>804,316</u>
OPERATING INCOME (LOSS)	7,141	(5,082)	12,223	2,336
NON-OPERATING REVENUES (EXPENSES):				
Interest income	<u>252</u>	<u>455</u>	<u>(203)</u>	<u>720</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>252</u>	<u>455</u>	<u>(203)</u>	<u>720</u>
NET INCOME (LOSS)	<u>\$ 7,393</u>	<u>(4,627)</u>	<u>\$ 12,020</u>	3,056
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>70,547</u>		<u>67,491</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 65,920</u>		<u>\$ 70,547</u>

CITY OF HANCOCK
MOTOR VEHICLE FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
BUDGET AND ACTUAL
Year ended June 30, 2009
With Comparative Totals for Year ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
OPERATING REVENUES:				
Charges for services	\$ 651,788	\$ 655,215	\$ 1,307,003	\$ 620,600
Other revenue	700	645	1,345	2,048
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	652,488	655,860	1,308,348	622,648
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES:				
General government administration	30,553	25,479	56,032	25,888
Garage maintenance	105,275	103,373	208,648	104,961
Operations and maintenance	606,813	269,010	875,823	265,373
Depreciation	-	113,765	113,765	99,048
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	742,641	511,627	1,254,268	495,270
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(90,153)	144,233	54,080	127,378
NON-OPERATING REVENUES (EXPENSES):				
Gain on sale of assets	3,263	40	3,303	350
Interest income	1,009	374	1,383	637
Interest expense	(56,500)	(9,732)	66,232	(6,111)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(52,228)	(9,318)	(61,546)	(5,124)
	<hr/>	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	<u>\$ (142,381)</u>	134,915	<u>\$ (7,466)</u>	122,254
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<hr/>		<hr/>
		688,275		566,021
		<hr/>		<hr/>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 823,190</u>		<u>\$ 688,275</u>

CITY OF HANCOCK
CEMETERY PERPETUAL CARE TRUST FUND
SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
Year ended June 30, 2009
With Comparative Actual Amounts for Year ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
OPERATING REVENUES:				
Other revenue	\$ 5,298	\$ -	\$ 5,298	\$ -
TOTAL OPERATING REVENUES	<u>5,298</u>	<u>-</u>	<u>5,298</u>	<u>-</u>
OPERATING EXPENSES:				
General government administration	<u>252</u>	<u>-</u>	<u>252</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>252</u>	<u>-</u>	<u>252</u>	<u>-</u>
OPERATING INCOME (LOSS)	5,046	-	5,046	-
NON-OPERATING REVENUES (EXPENSES):				
Interest income	<u>1,500</u>	<u>2,349</u>	<u>3849</u>	<u>5,042</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,500</u>	<u>2,349</u>	<u>3,849</u>	<u>5,042</u>
NET INCOME (LOSS)	<u>\$ 6,546</u>	<u>2,349</u>	<u>\$ 8,895</u>	<u>5,042</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>168,858</u>		<u>163,816</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 171,207</u>		<u>\$ 168,858</u>

CITY OF HANCOCK
TRANSIT FUND SUPPLEMENTAL INFORMATION
June 30, 2009

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING REVENUE
For the Year Ended June 30, 2009

	07/01/08 through 09/30/08	10/01/08 through 06/30/09	Total
Farebox receipts- passenger fares	\$ 9,123	\$ 28,617	\$ 37,740
Contract Fares	140	440	580
State Operating Assistance*	11,217	53,138	64,355
Federal Section 5311**	0	24,153	24,153
Federal RTAP**	0	801	801
Local Operating Assistance***	0	44,000	44,000
Interest Income	29	173	202
Total Operating Revenue	\$ 20,509	\$ 151,322	\$ 171,831

	10/01/07 through 06/30/08	07/01/07 through 09/30/07	Total
Farebox receipts- passenger fares	\$ 26,771	\$ 8,277	\$ 35,048
Contract Fares	340	40	380
State Operating Assistance	53,400	12,411	65,811
Federal Section 5311	0	0	0
Local Operating Assistance	38,317	0	38,317
Interest Income	279	58	337
Total Operating Revenue****	\$ 119,107	\$ 20,786	\$ 139,893

* State revenue on page 71 of audit report exceeds the total of State operating assistance by \$15,373. The audit report is higher because it includes grant revenue not reported on the quarterly transit reports.

**Federal revenue on page 71 of audit report exceeds the total of Federal Section 5311 and Federal RTAP by \$15,675. The audit report is higher because it includes grant revenue not reported on the quarterly transit reports.

***Operating transfers on page 71 of audit report, in the amount of \$30,000, are considered local operating assistance revenue and is included in the amount of \$44,000 above.

****Transit Fund revenue on page 80 of June 30, 2008 audit report shows additional revenues of \$175,463 which include \$148,942 federal and \$26,521 State grant awards for bus purchases. federal and \$26,521 State grant awards for bus purchases.

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
For the Year Ended June 30, 2009

	07/01/08 through 09/30/08				10/01/08 through 06/30/09				Total			
	Operation	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total
Labor:												
Wages -operations	\$ 14,268	\$ 0	\$ 0	\$ 14,268	\$ 55,320	\$ 0	\$ 0	\$ 55,320	\$ 69,588	\$ 0	\$ 0	\$ 69,588
Other salaries and wages	0	0	0	0	0	3,413	5,173	8,586	0	3,413	5,173	8,586
Dispatchers wages	0	0	0	0	3,463	0	0	3,463	3,463	0	0	3,463
Fringe benefits	2,379	0	0	2,379	11,234	2,908	4,134	18,276	13,613	2,908	4,134	20,655
Services:												
Advertising	0	0	68	68	0	0	400	400	0	0	468	468
Other	204	800	557	1,561	232	2,282	524	3,038	436	3,082	1,081	4,599
Materials and supplies:												
Fuel and lubricants	8,659	0	0	8,659	16,094	0	0	16,094	24,753	0	0	24,753
Tires and tubes	401	0	0	401	186	0	0	186	587	0	0	587
Major supplies	0	1,532	0	1,532	450	3,452	0	3,902	450	4,984	0	5,434
Other	0	0	0	0	0	0	89	89	0	0	89	89
Utilities	0	0	575	575	0	0	1,628	1,628	0	0	2,203	2,203
Insurance	2,475	0	0	2,475	261	0	0	261	2,736	0	0	2,736
Operating lease and rentals	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous expenses:												
Travel	0	0	124	124	0	0	0	0	0	0	124	124
Dues & Subscriptions	0	0	0	0	0	0	800	800	0	0	800	800
Other	250	0	171	421	50	0	546	596	300	0	717	1,017
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0
	<u>28,636</u>	<u>2,332</u>	<u>1,495</u>	<u>32,463</u>	<u>87,290</u>	<u>12,055</u>	<u>13,294</u>	<u>112,639</u>	<u>115,926</u>	<u>14,387</u>	<u>14,789</u>	<u>145,102</u>
Less:												
Ineligible expenses- RTAP	0	0	0	0	583	0	0	583	583	0	0	583
Deprecation	0	0	0	0	0	0	0	0	0	0	0	0
	<u>\$ 28,636</u>	<u>\$ 2,332</u>	<u>\$ 1,495</u>	<u>\$ 32,463</u>	<u>\$ 86,707</u>	<u>\$ 12,055</u>	<u>\$ 13,294</u>	<u>\$ 112,056</u>	<u>\$ 115,343</u>	<u>\$ 14,387</u>	<u>\$ 14,789</u>	<u>\$ 144,519</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
Reporting period October 1, 2007 through September 30, 2008

	10/01/07 through 06/30/08				07/01/08 through 09/30/08				Total			
	Operation	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total
Labor:												
Wages -operations	\$ 49,629	\$ 0	\$ 0	\$ 49,629	\$ 14,268	\$ 0	\$ 0	\$ 14,268	\$ 63,897	\$ 0	\$ 0	\$ 63,897
Other salaries and wages	0	0	0	0	0	0	0	0	0	0	0	0
Dispatchers wages	0	0	0	0	0	0	0	0	0	0	0	0
Fringe benefits	7,206	0	0	7,206	2,379	0	0	2,379	9,585	0	0	9,585
Services:												
Advertising	0	0	0	0	0	0	68	68	0	0	68	68
Other	2,969	2,296	471	5,736	204	800	557	1,561	3,173	3,096	1,028	7,297
Materials and supplies:												
Fuel and lubricants	20,956	0	0	20,956	8,659	0	0	8,659	29,615	0	0	29,615
Tires and tubes	716	0	0	716	401	0	0	401	1,117	0	0	1,117
Major supplies	0	4,462	0	4,462	0	1,532	0	1,532	0	5,994	0	5,994
Other	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	0	0	1,442	1,442	0	0	575	575	0	0	2,017	2,017
Insurance	354	0	0	354	2,475	0	0	2,475	2,829	0	0	2,829
Operating lease and rentals	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous expenses:												
Travel	0	0	95	95	0	0	0	0	0	0	95	95
Dues & Subscriptions	0	0	100	100	0	0	124	124	0	0	224	224
Other	261	0	455	716	250	0	171	421	511	0	626	1,137
Depreciation	13,528	0	0	13,528	0	0	0	0	13,528	0	0	13,528
	<u>95,619</u>	<u>6,758</u>	<u>2,563</u>	<u>104,940</u>	<u>28,636</u>	<u>2,332</u>	<u>1,495</u>	<u>32,463</u>	<u>124,255</u>	<u>9,090</u>	<u>4,058</u>	<u>137,403</u>
Less:												
Ineligible expenses- RTAP	44	0	0	44	0	0	0	0	44	0	0	44
Deprecation	13,528	0	0	13,528	0	0	0	0	13,528	0	0	13,528
	<u>\$ 82,047</u>	<u>\$ 6,758</u>	<u>\$ 2,563</u>	<u>\$ 91,368</u>	<u>\$ 28,636</u>	<u>\$ 2,332</u>	<u>\$ 1,495</u>	<u>\$ 32,463</u>	<u>\$ 110,683</u>	<u>\$ 9,090</u>	<u>\$ 4,058</u>	<u>\$123,831</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANT
For the Year Ended June 30, 2009

NON URBAN AREAS	10/01/08 Through 09/30/09
STATE OF MICHIGAN	
Total Eligible Expenses	\$ 144,519
Reimbursement Rate %	35.6166%
Eligible operating assistance	\$ 51,473
 FEDERAL SECTION 5311	
Total Eligible Expenses	\$ 144,519
Reimbursement Rate %	16.0000%
Eligible operating assistance	\$ 23,123

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
MILEAGE DATA REPORT (UNAUDITED)
For the Year Ended June 30, 2009

<u>Quarter Ending:</u>	<u>Miles</u>
September 30, 2007	17,321
December 31, 2007	16,870
March 31, 2008	17,310
June 30, 2008	<u>16,496</u>
Total Miles	<u><u>67,997</u></u>

CITY OF HANCOCK
FEDERAL AWARDS PROGRAMS
JUNE 30, 2009



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hancock as of and for the year then ended June 30, 2009 which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements is more than inconsequential and will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-1 through 2009-2 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as item 2009-1 through 2009-2.

We noted certain matters that we reported to management of the City of Hancock's in a separate letter dated December 14, 2009.

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

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

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

December 14, 2009



Bruce A. Rukkila, CPA, PC

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

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

Compliance

We have audited the compliance of the City of Hancock with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Hancock's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the City of Hancock's management. Our responsibility is to express an opinion on the City of Hancock's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hancock's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

December 14, 2009

CITY OF HANCOCK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency		
Pass-through programs from: State of Michigan/Department Of Environmental Quality		
Safe Drinking Water State Revolving Fund	66.468	\$ 2,346,898
State Revolving Fund	66.458	462,740
United States Department of Agriculture Rural Development		
Rural Housing Service Community Facilities Grant		
2008A Building Authority Bond	10.766	471,000
2008B Building Authority Bond	10.766	<u>83,000</u>
		<u>554,000</u>
U.S. Department of Housing and Urban Development-State Programs		
Pass-through programs from:		
Michigan State Housing Development Authority		
Rental Rehabilitation Grant	14.228	187,155
U.S. Department of Transportation - Federal Transit Administration		
Pass-through programs from:		
State of Michigan, Michigan Department of Transportation		
Federal Transit Capital Investment Grants		
W00156 2007-0219/Z3 Project #10367 DAB	20.500	<u>28,757</u>
Total expenditures of federal awards		<u>\$ 3,579,550</u>

CITY OF HANCOCK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

NOTE A - OVERSIGHT AGENCY

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

NOTE B - BASIS OF ACCOUNTING

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

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

Name of Federal Program	<u>CFDA Number</u>
Michigan State Housing Development Authority:	
Safe Drinking Water State Revolving Fund	66.468
State Revolving Fund	66.458
USDA Community Facility Loan Program	10.766

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

2009-1 – Preparation of Financial Statements in Accordance with GAAP (Repeat Finding)

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

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

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2009

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

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

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

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

2009-2 – Recording, Processing and Summarizing Accounting Data - Capital Assets/Adjustments (Repeat Finding)

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

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

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

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

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