

CITY OF HANCOCK
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2021

CITY OF HANCOCK

June 30, 2021

ADMINISTRATION

City Manager..... Mary Babcock

BOARD MEMBERS

Mayor..... Paul Labine

Ward I..... Ron Blau

Ward II..... Rick Freeman

Ward III..... Kurt Rickard

At Large..... Will Lytle

At Large..... John Haeussler

At Large..... Whitney Warstler

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregated 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note P to the financial statements, during the year ended June 30, 2021, the City adopted the new accounting guidance of GASB Statement no. 84, Fiduciary Activities. As a result of implementing this pronouncement, the Statement of Changes in Fiduciary Net Position is a required statement which reports the increases and decreases of fiduciary funds and has been added to the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension requirements on pages 8 through 16 and 57 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and Transit Fund Supplemental Information based on June 30, 2021 year end are presented for purposes of additional analysis and not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements, Transit Fund Supplemental Information based on June 30, 2021 year end, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The combining fund financial statements, Transit Fund Supplemental Information based on June 30, 2021 year end, and the schedule of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The prior year comparative information on pages 70 and 72 has been derived from the City's 2020 audit report dated January 25, 2021, in which we expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information and the related notes to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2021 on our consideration of the City of Hancock's internal control over financial reporting and on 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* in considering the City of Hancock's internal control over financial reporting and compliance.

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

December 27, 2021

CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

This section of City of Hancock's annual financial report presents management's discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2021. The analysis focuses on the City's financial performance as a whole. It is intended to be read as part of the City's financial statements, which immediately follows this section.

Financial Highlights

- The assets and deferred outflows of the City of Hancock's primary government exceeded its liabilities and deferred inflows at year end by \$17,620,175 (net position).
- The City of Hancock's total net position increased by \$565,009.
- The City of Hancock had charges for services of \$1,867,194 in governmental activities and \$2,245,408 for business-type activities and \$5,941,629 and \$3,106,337 in expenses for governmental and business-type activities respectively during the year ended June 30, 2021.
- At the close of the fiscal year, the City of Hancock's governmental activities reported a combined ending net position balance of \$8,964,614. This is an increase of \$712,725.
- At the end of the current fiscal year, the fund balance for the general fund was \$1,441,496. General fund operating transfers to other funds were \$67,932 in 2021 compared to \$5,550 in the prior year, an increase of \$366,450.

Overview of the Financial Statements

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Overview of the Financial Statements (Continued)

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

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

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

Government-Wide Financial Analysis

Net position serves as an indicator of the City's financial position and overall performance. As shown on page 17 total assets and deferred outflows exceeded liabilities and deferred inflows by \$17,620,175 for the City's primary government.

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

	Net Position			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets				
Current Assets	\$ 3,066,389	\$ 2,568,109	\$ 2,149,624	\$ 2,045,112
Capital assets - net	9,754,364	10,177,921	17,222,298	17,912,091
Total assets	<u>12,820,753</u>	<u>12,746,030</u>	<u>19,371,922</u>	<u>19,957,203</u>
Deferred outflows of resources - pension	718,040	734,199	105,873	108,016
Liabilities				
Current liabilities	686,170	1,011,905	448,371	634,073
Noncurrent liabilities	3,486,791	3,896,412	10,321,980	10,587,842
Total liabilities	<u>4,172,961</u>	<u>4,908,317</u>	<u>10,770,351</u>	<u>11,221,915</u>
Deferred inflows of resources - pension	401,218	320,023	51,883	-
Net position				
Net investment in capital assets	7,726,804	7,699,136	6,927,298	7,340,091
Restricted:				
Restricted:	1,124,152	705,486	650,091	635,613
Unrestricted	113,658	(152,733)	1,078,172	827,573
Total net position	<u>\$ 8,964,614</u>	<u>\$ 8,251,889</u>	<u>\$ 8,655,561</u>	<u>\$ 8,803,277</u>

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Overview of the Financial Statements - (Continued)

Governmental Activities

As shown on the following table, governmental activities changed the City's net position by \$712,725. In prior year, the net position of governmental activities changed by \$176,721. The current to prior year change in governmental activities is due to a decrease in overall revenues of \$1,077,561 and a decrease in overall expenditures of \$1,613,565. The decrease was mainly due to a decrease in grants and contributions related to the 2018 flood. The decrease in expenses was due to a decrease in public works related to fewer expenses than in prior year related to 2018 flood repairs.

Business-type Activities

As shown below on the following table, business-type activities changed the City's net position by \$(147,716). In prior year, the net position of business-type activities changed by \$(69,934). The current to prior year change in business-type activities is due to an increase in overall revenues of \$12,273 and an increase in overall expenditures of \$90,055. The increase in overall revenue is mainly due to decreases in grants and contributions. The increase in expenditures is due to a combination of increases in purchased services, general administration, and depreciation and decreases in operations and maintenance.

Results of Operations

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Program Revenue:				
Charges for services	\$ 1,867,194	\$ 1,731,649	\$ 2,245,408	\$ 2,253,308
Operating grants and contributions	94,909	183,537	571,945	556,661
Capital grants and contributions	1,090,077	2,282,519	-	76,229
General Revenue:				
Property taxes	1,846,884	1,780,862	-	-
State shared revenue	1,572,856	1,562,617	-	-
Other	251,385	270,843	51,998	13,150
Gain on sale of equipment	12,749	1,588	-	-
Transfers	-	-	89,270	47,000
Total revenues	<u>6,736,054</u>	<u>7,813,615</u>	<u>2,958,621</u>	<u>2,946,348</u>
Functions/program expenses				
General government	1,725,632	1,642,446	-	-
Public safety	1,052,574	978,736	-	-
Public works	2,525,358	4,163,781	3,106,337	3,016,282
Sanitation	272,208	233,640	-	-
Recreation	240,974	460,992	-	-
Community and economic development	31,084	358	-	-
Interest on long-term debt	14,469	19,282	-	-
Other	79,330	90,659	-	-
Transfers	81,700	47,000	-	-
Total expenses	<u>6,023,329</u>	<u>7,636,894</u>	<u>3,106,337</u>	<u>3,016,282</u>
Change in net position	712,725	176,721	(147,716)	(69,934)
Net position - Beginning	<u>8,251,889</u>	<u>8,075,168</u>	<u>8,803,277</u>	<u>8,873,211</u>
Net position - Ending	<u>\$ 8,964,614</u>	<u>\$ 8,251,889</u>	<u>\$ 8,655,561</u>	<u>\$ 8,803,277</u>

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Overview of the Financial Statements - (Continued)

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

	<u>2021</u>	<u>% of total</u>	<u>2020</u>	<u>% of total</u>
Revenues				
Charges for services	\$ 1,867,194	27.8 %	\$ 1,731,649	22.1 %
Property taxes	1,846,884	27.4 %	1,780,862	22.8 %
State shared revenue	1,572,856	23.3 %	1,562,617	20.0 %
Grants and contributions	1,184,986	17.6 %	2,466,056	31.6 %
Other revenues	251,385	3.7 %	270,843	3.5 %
Gain on sale of equipment	12,749	0.2 %	1,588	- %
Total revenues	<u>\$ 6,736,054</u>	<u>100.0 %</u>	<u>\$ 7,813,615</u>	<u>100.0 %</u>
Expenditures				
General government	\$ 1,725,632	28.7 %	\$ 1,642,446	21.5 %
Public safety	1,052,574	17.5 %	978,736	12.8 %
Public works	2,525,358	41.9 %	4,163,781	54.5 %
Sanitation	272,208	4.5 %	233,640	3.1 %
Recreation and culture	240,974	4.0 %	460,992	6.0 %
Community development	31,084	0.5 %	358	- %
Interest expense	14,469	0.2 %	19,282	0.3 %
Other	79,330	1.3 %	90,659	1.2 %
Transfers out	81,700	1.4 %	47,000	0.6 %
Total expenditures	<u>\$ 6,023,329</u>	<u>100.0 %</u>	<u>\$ 7,636,894</u>	<u>100.0 %</u>

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

	<u>2021</u>	<u>% of total</u>	<u>2020</u>	<u>% of total</u>
Revenues				
Charges for services	\$ 2,245,408	75.9 %	\$ 2,253,308	76.5 %
Grants and contributions	571,945	19.3 %	632,890	21.5 %
Other	51,998	1.8 %	13,150	0.4 %
Transfers	89,270	3.0 %	47,000	1.6 %
Total revenues	<u>\$ 2,958,621</u>	<u>100.0 %</u>	<u>\$ 2,946,348</u>	<u>100.0 %</u>
Expenditures				
Water	\$ 1,518,492	48.9 %	\$ 1,407,201	46.7 %
Sewer	1,218,911	39.2 %	1,265,313	41.9 %
Transit	368,934	11.9 %	343,768	11.4 %
Total expenditures	<u>\$ 3,106,337</u>	<u>100.0 %</u>	<u>\$ 3,016,282</u>	<u>100.0 %</u>

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Significant Transactions and Changes in Individual Funds

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

<u>GENERAL FUND</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 3,352,392	\$ 2,814,211	\$ 538,181
Expenditures/Transfers/Other	\$ 2,916,231	\$ 2,908,170	\$ 8,061
Fund Balance	\$ 1,441,496	\$ 1,005,335	\$ 436,161

The General Fund had an increase in revenues of \$538,181 and an increase in expenditures of \$8,061. The increase in revenue is mainly due to increases in property taxes, state and federal revenue, campground revenue, and sale of trash bags. There was not a significant decrease in expenditures from prior year.

<u>SPECIAL REVENUE FUNDS</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Major Street Fund			
Revenues/Transfers/Other	\$ 764,103	\$ 2,333,394	\$ (1,569,291)
Expenditures/Transfers/Other	\$ 562,916	\$ 2,289,898	\$ (1,726,982)
Fund Balance	\$ 347,279	\$ 146,092	\$ 201,187
Local Street Fund			
Revenues/Transfers/Other	\$ 896,039	\$ 655,590	\$ 240,449
Expenditures/Transfers/Other	\$ 717,762	\$ 587,699	\$ 130,063
Fund Balance	\$ 488,312	\$ 310,035	\$ 178,277
Redevelopment Fund			
Revenues/Transfers/Other	\$ 32,000	\$ -	\$ 32,000
Expenditures/Transfers/Other	\$ 31,084	\$ 358	\$ 30,726
Fund Balance	\$ 35,499	\$ 34,583	\$ 916
Parks and Recreation Fund			
Revenues/Transfers/Other	\$ 93,022	\$ 95,749	\$ (2,727)
Expenditures/Transfers/Other	\$ 73,054	\$ 118,660	\$ (45,606)
Fund Balance	\$ 28,145	\$ 8,177	\$ 19,968

Major Street Fund - The decrease in revenue is due to a combination of decreases in federal and state grant revenue related to Father's day flood repairs, decreases in routine maintenance, and increases in Act 51 revenue. Expenditures mainly decreased due to a reduction in costs related to flood repair costs.

Local Street Fund - The increase in revenue is due to an increase in federal and State grant revenue related to Father's day flood repairs, property taxes, and Act 51 revenue. Expenditures increased due to a combination of expenses incurred for flood repairs a reduction in expenses related to snow and ice control.

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

Parks and Recreation Fund - There was no significant change in revenues. The decrease in expenditures is due to a combination of fewer capital improvements than in prior year and an increase in transfers out from prior year.

CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Significant Transactions and Changes in Individual Funds (Continued)

ENTERPRISE FUNDS	2021	2020	Change
Sewer Fund			
Revenues/Transfers/Other	\$ 1,352,537	\$ 1,434,318	\$ (81,781)
Expenditures/Transfers/Other	\$ 1,218,911	\$ 1,265,313	\$ (46,402)
Fund Balance	\$ 3,269,368	\$ 3,135,742	\$ 133,626
Water Fund			
Revenues/Transfers/Other	\$ 1,219,774	\$ 1,165,637	\$ 54,137
Expenditures/Transfers/Other	\$ 1,518,492	\$ 1,407,201	\$ 111,291
Fund Balance	\$ 4,679,503	\$ 4,978,221	\$ (298,718)
Transit Fund			
Revenues/Transfers/Other	\$ 386,310	\$ 346,393	\$ 39,917
Expenditures/Transfers/Other	\$ 368,934	\$ 343,768	\$ 25,166
Fund Balance	\$ 706,690	\$ 689,314	\$ 17,376

Sewer Fund - The Sewer Fund's revenues decreased due to a combination of a decrease in charges for services and a net decrease in federal and State grants. Expenses decreased due to a combination of an increase in purchased services and a decrease in operations.

Water Fund - The Water Fund's revenues increased due to an increase in charges for services and insurance revenue of \$47,084 for the replacement of the water tank roof due to 2018 flood related repairs. Expenses increased due to an increase in purchased services and operations and maintenance.

Transit Fund - The Transit Fund revenues increased mainly due to increases in state and federal sources. Expenses increased due to increases in general administration and depreciation.

DEBT SERVICE (BUILDING AUTHORITY)	2021	2020	Change
Revenues/Transfers/Other	\$ 131,879	\$ 134,843	\$ (2,964)
Expenditures/Transfers/Other	\$ 131,878	\$ 134,840	\$ (2,962)
Fund Balance	\$ 1,655	\$ 1,654	\$ 1

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

CAPITAL PROJECTS (DEVELOPMENT)	2021	2020	Change
Revenues/Transfers/Other	\$ 18,007	\$ -	\$ 18,007
Expenditures/Transfers/Other	\$ -	\$ -	\$ -
Fund Balance	\$ 38,394	\$ 20,387	\$ 18,007

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

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Significant Transactions and Changes in Individual Funds (Continued)

INTERNAL SERVICE FUNDS

<u>Employee Benefits Fund</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 876,831	\$ 793,262	\$ 83,569
Expenditures/Transfers/Other	\$ 784,020	\$ 793,264	\$ (9,244)
Fund Balance	\$ 163,450	\$ 70,639	\$ 92,811

Employee Benefits Fund - Revenue increased due to an increase in charges for services. There were no significant changes in overall expenditures.

<u>Motor Vehicle Fund</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 521,342	\$ 530,440	\$ (9,098)
Expenditures/Transfers/Other	\$ 517,372	\$ 557,799	\$ (40,427)
Fund Balance	\$ 115,382	\$ 61,412	\$ 53,970

Motor Vehicle Fund - There was no significant change in revenues. Expenses decreased mainly due to a decrease in expenses related to operations and maintenance.

General Fund Budgetary Highlights

During the year ended June 30, 2021, there were two budget amendments.

Financial Analysis

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

As of the end of the current fiscal year, the City's governmental funds reported combined unassigned fund balances of \$1,400,791.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,441,496. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents about 51% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$436,161 during the fiscal year.

Proprietary Funds - The City's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net position at the end of the year amounted to \$8,655,561.

**CITY OF HANCOCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Capital Assets and Debt Administration

The City's net capital assets for the governmental and business-type activities as of June 30, 2021, amounts to \$26,976,662. Capital asset additions totaling \$333,327 include playground equipment, a police vehicle, construction in progress on bath house, water tank roof replacement, and an excavator.

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

Long-term Debt – At the end of the current fiscal year, the City had total debt of \$12,339,824.

Additional information on the City's long-term debt can be found starting on page 40 of this report.

Request for Information

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

CITY OF HANCOCK
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,033,968	\$ 1,092,002	\$ 3,125,970	\$ 115,292
Restricted cash	227,751	650,091	877,842	-
Receivables	29,659	200,082	229,741	-
Inventories	79,741	64,557	144,298	-
Prepaid expenses	46,760	1,948	48,708	-
Due from fiduciary funds	211	-	211	-
Due from other funds	10,000	(10,000)	-	-
Due from government units	638,299	150,944	789,243	-
Capital assets - net	9,754,364	17,222,298	26,976,662	-
Total assets	<u>12,820,753</u>	<u>19,371,922</u>	<u>32,192,675</u>	<u>115,292</u>
Deferred outflows of resources - pension	718,040	105,873	823,913	3,615
Liabilities				
Accounts payable and accrued expense	256,973	167,371	424,344	15,013
Due to other governmental units	6,414	-	6,414	-
Unearned revenue	9,680	-	9,680	-
Bonds payable, due in one year	93,000	281,000	374,000	-
Note payable, due in one year	320,103	-	320,103	-
Unamortized premium on the issuance of bonds	17,264	-	17,264	-
Bonds payable, due in more than one year	924,000	10,014,000	10,938,000	-
Note payable, due in more than one year	690,457	-	690,457	-
Net pension liability	1,681,738	259,007	1,940,745	10,123
Accrued benefits	173,332	48,973	222,305	4,135
Total liabilities	<u>4,172,961</u>	<u>10,770,351</u>	<u>14,943,312</u>	<u>29,271</u>
Deferred inflows of resources - pension	401,218	51,883	453,101	257
Net position				
Net investment in capital assets	7,726,804	6,927,298	14,654,102	-
Restricted				
Streets and highways	835,591	-	835,591	-
Redevelopment	35,499	-	35,499	-
Cemetery	184,868	-	184,868	-
Parks and recreation	28,145	-	28,145	-
Capital projects	38,394	-	38,394	-
Debt service	1,655	650,091	651,746	-
Unassigned	113,658	1,078,172	1,191,830	89,379
Total net position	<u>\$ 8,964,614</u>	<u>\$ 8,655,561</u>	<u>\$ 17,620,175</u>	<u>\$ 89,379</u>

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

CITY OF HANCOCK
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Grants and Contributions		Primary Government			Component Unit (DDA)
			Operating	Capital	Governmental	Business-Type	Total	
Government Activities								
General government	\$ 1,725,632	\$ 876,796	\$ 64,909	\$ 637,215	\$ (146,712)	\$ -	\$ (146,712)	\$ -
Public safety	1,052,574	1,693	-	25,200	(1,025,681)	-	(1,025,681)	-
Public works	2,525,358	500,126	-	377,418	(1,647,814)	-	(1,647,814)	-
Sanitation	272,208	123,095	-	-	(149,113)	-	(149,113)	-
Recreation and culture	240,974	175,189	-	-	(65,785)	-	(65,785)	-
Community and economic development	31,084	-	30,000	50,244	49,160	-	49,160	-
Interest on long-term debt	14,469	-	-	-	(14,469)	-	(14,469)	-
Other	79,330	190,295	-	-	110,965	-	110,965	-
Total governmental activities	<u>5,941,629</u>	<u>1,867,194</u>	<u>94,909</u>	<u>1,090,077</u>	<u>(2,889,449)</u>	<u>-</u>	<u>(2,889,449)</u>	<u>-</u>
Business-type activities:								
Water	1,518,492	1,170,135	-	-	-	(348,357)	(348,357)	-
Sewer	1,218,911	1,040,486	310,513	-	-	132,088	132,088	-
Transit	368,934	34,787	261,432	-	-	(72,715)	(72,715)	-
Total business-type activities	<u>3,106,337</u>	<u>2,245,408</u>	<u>571,945</u>	<u>-</u>	<u>-</u>	<u>(288,984)</u>	<u>(288,984)</u>	<u>-</u>
Total primary government	<u>\$ 9,047,966</u>	<u>\$ 4,112,602</u>	<u>\$ 666,854</u>	<u>\$ 1,090,077</u>	<u>(2,889,449)</u>	<u>(288,984)</u>	<u>(3,178,433)</u>	<u>-</u>
Component Unit	<u>\$ 183,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(183,806)</u>	<u>(183,806)</u>
General revenues:								
Property taxes, levied for general operations					1,846,884	-	1,846,884	189,054
State shared revenue					1,572,856	-	1,572,856	-
Interest income and investment earnings					3,452	2,613	6,065	288
Operating transfers in (out)					(81,700)	89,270	7,570	(7,570)
Gain (loss) on sale of assets					12,749	-	12,749	-
Other revenues					247,933	49,385	297,318	7,690
Total general revenues, transfers, and special items					<u>3,602,174</u>	<u>141,268</u>	<u>3,743,442</u>	<u>189,462</u>
Change in net position					712,725	(147,716)	565,009	5,656
Net position - Beginning of year					8,251,889	8,803,277	17,055,166	83,723
Net position - End of year					<u>\$ 8,964,614</u>	<u>\$ 8,655,561</u>	<u>\$ 17,620,175</u>	<u>\$ 89,379</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021

	Major Governmental Funds				Total Governmental
	General Fund	Major Street	Local Street	Non Major	
Assets					
Cash and cash equivalents	\$ 1,382,405	\$ 237,397	\$ 122,413	\$ 79,501	\$ 1,821,716
Restricted cash	42,883	-	-	184,868	227,751
Taxes receivable	65	-	-	-	65
Accounts receivable	29,594	-	-	-	29,594
Due from other funds	10,000	-	-	-	10,000
Due from fiduciary funds	211	-	-	-	211
Due from government units	163,475	82,319	362,505	30,000	638,299
Inventories	11,480	28,395	6,233	-	46,108
Prepaid expenses	29,225	-	-	-	29,225
Total assets	\$ 1,669,338	\$ 348,111	\$ 491,151	\$ 294,369	\$ 2,802,969
Liabilities					
Accounts payable	\$ 157,966	\$ 125	\$ 1,643	\$ 5,808	\$ 165,542
Accrued expenses	53,782	707	1,196	-	55,685
Unearned revenue	9,680	-	-	-	9,680
Due to other governmental units	6,414	-	-	-	6,414
Total liabilities	227,842	832	2,839	5,808	237,321
Fund balances					
Nonspendable:					
Inventories	11,480	28,395	6,233	-	46,108
Prepays	29,225	-	-	-	29,225
Restricted:					
Streets and highways	-	318,884	482,079	-	800,963
Parks and recreation	-	-	-	28,145	28,145
Redevelopment	-	-	-	35,499	35,499
Cemetery	-	-	-	184,868	184,868
Capital projects	-	-	-	38,394	38,394
Debt service	-	-	-	1,655	1,655
Unassigned	1,400,791	-	-	-	1,400,791
Total fund balances	1,441,496	347,279	488,312	288,561	2,565,648
Total liabilities and fund balances	\$ 1,669,338	\$ 348,111	\$ 491,151	\$ 294,369	\$ 2,802,969

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION (Continued)
June 30, 2021

Fund balance reported in governmental funds	\$ 2,565,648
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	9,321,461
Net pension liability	(1,681,738)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	316,822
Internal service fund is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net position.	306,462
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,864,041)</u>
Net position of governmental activities	<u><u>\$ 8,964,614</u></u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	Major Governmental Funds				Total Governmental
	General Fund	Major Street	Local Street	Non Major	
Revenues					
Property taxes	\$ 1,610,956	\$ -	\$ 143,005	\$ 92,923	\$ 1,846,884
State sources	938,508	761,782	465,878	30,000	2,196,168
Federal sources	214,653	2,001	286,519	-	503,173
Charges for services	490,272	-	-	-	490,272
Interest income	2,206	320	386	410	3,322
Other revenues	90,792	-	251	151,885	242,928
Total revenues	<u>3,347,387</u>	<u>764,103</u>	<u>896,039</u>	<u>275,218</u>	<u>5,282,747</u>
Expenditures					
General government	593,775	13,018	3,995	394	611,182
Public safety	1,097,941	-	-	-	1,097,941
Public works	288,816	549,898	713,767	30,690	1,583,171
Sanitation	272,208	-	-	-	272,208
Recreation and culture	276,443	-	-	51,716	328,159
Debt service	277,198	-	-	131,878	409,076
Other	41,918	-	-	-	41,918
Total expenditures	<u>2,848,299</u>	<u>562,916</u>	<u>717,762</u>	<u>214,678</u>	<u>4,343,655</u>
Excess (deficiency) of revenues over expenditures	<u>499,088</u>	<u>201,187</u>	<u>178,277</u>	<u>60,540</u>	<u>939,092</u>
Other financing sources (uses)					
Proceeds on sale of assets	5,005	-	-	-	5,005
Operating transfers in (out)	(67,932)	-	-	(21,338)	(89,270)
Total other financing sources (uses)	<u>(62,927)</u>	<u>-</u>	<u>-</u>	<u>(21,338)</u>	<u>(84,265)</u>
Net change in fund balances	436,161	201,187	178,277	39,202	854,827
Fund balances - Beginning of year	<u>1,005,335</u>	<u>146,092</u>	<u>310,035</u>	<u>249,359</u>	<u>1,710,821</u>
Fund balances - End of year	<u>\$ 1,441,496</u>	<u>\$ 347,279</u>	<u>\$ 488,312</u>	<u>\$ 288,561</u>	<u>\$ 2,565,648</u>

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

CITY OF HANCOCK
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 854,827
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(522,963)
In the statement of activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	(802)
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.	365,035
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	(144,175)
This amount represents the current year bond premium amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	2,466
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	49
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements.	8,501
Internal service fund is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities.	<u>149,787</u>
Change in net position of governmental activities	<u><u>\$ 712,725</u></u>

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

CITY OF HANCOCK
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund	Total	Internal Service Funds
	Sewer Fund	Water Fund	Transit fund		
Assets					
Cash and cash equivalents	\$ 1,003,238	\$ 85,328	\$ 3,436	\$ 1,092,002	\$ 212,252
Restricted cash	148,020	502,071	-	650,091	-
Accounts receivable	59,762	73,416	66,904	200,082	-
Inventories	25,763	38,794	-	64,557	33,633
Due from government units	150,944	-	-	150,944	-
Prepaid expenses	-	-	1,948	1,948	17,535
Capital assets - net	3,735,458	12,755,197	731,643	17,222,298	432,903
Total assets	5,123,185	13,454,806	803,931	19,381,922	696,323
Deferred outflows of resources - pension	33,510	35,510	36,853	105,873	13,884
Liabilities					
Accounts payable	6,907	108,484	5,322	120,713	14,558
Accrued expenses	26,789	53,888	14,954	95,631	13,646
Due to other funds	-	-	10,000	10,000	-
Unearned revenue	-	-	-	-	-
Current maturities on long-term debt	39,000	242,000	-	281,000	89,012
Net pension liability	83,484	88,374	87,149	259,007	32,971
Bonds/note payable	1,714,000	8,300,000	-	10,014,000	272,645
Total liabilities	1,870,180	8,792,746	117,425	10,780,351	422,832
Deferred inflows of resources - pension	17,147	18,067	16,669	51,883	8,543
Net Position					
Restricted	148,020	502,071	-	650,091	-
Unrestricted	3,121,348	4,177,432	706,690	8,005,470	278,832
Total net position	\$ 3,269,368	\$ 4,679,503	\$ 706,690	\$ 8,655,561	\$ 278,832

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

CITY OF HANCOCK
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Major Funds		Non-major Fund		Internal Service Fund
	Sewer Fund	Water Fund	Transit fund		
Operating revenues:					
Charges for services	\$ 1,040,486	\$ 1,170,135	\$ 34,787	\$ 2,245,408	\$ 1,376,922
Federal operating grants	-	-	148,427	148,427	-
State operating grants	-	-	113,005	113,005	-
Other revenues	-	48,581	804	49,385	-
Total operating revenues	<u>1,040,486</u>	<u>1,218,716</u>	<u>297,023</u>	<u>2,556,225</u>	<u>1,376,922</u>
Operating expenses					
General administration	41,567	68,211	125,844	235,622	786,547
Meter reading	1,952	12,956	-	14,908	-
Purchased services	489,624	338,227	-	827,851	-
Operations and maintenance	508,043	376,863	157,140	1,042,046	455,472
Depreciation	137,938	520,772	85,950	744,660	45,698
Total operating expenses	<u>1,179,124</u>	<u>1,317,029</u>	<u>368,934</u>	<u>2,865,087</u>	<u>1,287,717</u>
Operating income (loss)	<u>(138,638)</u>	<u>(98,313)</u>	<u>(71,911)</u>	<u>(308,862)</u>	<u>89,205</u>
Non-operating revenues (expenses)					
Gain on sale of assets	-	-	-	-	13,551
Interest income	1,538	1,058	17	2,613	130
Interest expense	(39,787)	(201,463)	-	(241,250)	(13,675)
Total non-operating revenues (expenses)	<u>(38,249)</u>	<u>(200,405)</u>	<u>17</u>	<u>(238,637)</u>	<u>6</u>
Income (loss) before capital contributions and transfers	<u>(176,887)</u>	<u>(298,718)</u>	<u>(71,894)</u>	<u>(547,499)</u>	<u>89,211</u>
Capital contributions					
Federal grants	208,465	-	-	208,465	50,000
State grants	102,048	-	-	102,048	-
Total capital contributions	<u>310,513</u>	<u>-</u>	<u>-</u>	<u>310,513</u>	<u>50,000</u>
Transfers in	-	-	89,270	89,270	7,570
Change in net position	133,626	(298,718)	17,376	(147,716)	146,781
Net position (deficit), beginning of the year	3,135,742	4,978,221	689,314	8,803,277	132,051
Net position (deficit), end of year	<u>\$ 3,269,368</u>	<u>\$ 4,679,503</u>	<u>\$ 706,690</u>	<u>\$ 8,655,561</u>	<u>\$ 278,832</u>

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

CITY OF HANCOCK
PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Funds		Non-major Fund	Total	Internal Service Funds
	Sewer Fund	Water Fund	Transit fund		
Cash flows from operating activities					
Receipts from customers	\$ 1,053,753	\$ 1,215,096	\$ 230,119	\$ 2,498,968	\$ 1,376,922
Payments to suppliers	(950,999)	(508,604)	(55,345)	(1,514,948)	(977,334)
Payments to employees	(137,317)	(231,762)	(213,959)	(583,038)	(266,156)
Net cash provided by operating activities	<u>(34,563)</u>	<u>474,730</u>	<u>(39,185)</u>	<u>400,982</u>	<u>133,432</u>
Cash flows from noncapital financing activities					
Operating subsidies and transfers to other funds	-	-	39,270	39,270	7,570
Cash flows from capital and related financing activities					
Purchases of capital assets	-	(54,868)	-	(54,868)	(137,405)
Principal paid on capital debt	(38,000)	(239,000)	-	(277,000)	(86,189)
Non-operating grants	310,513	-	-	310,513	50,000
Interest paid on capital debt	(39,787)	(201,463)	-	(241,250)	(13,675)
Proceeds on sale of assets	-	-	-	-	13,551
Net cash (used) by capital and related financing activities	<u>232,726</u>	<u>(495,331)</u>	<u>-</u>	<u>(262,605)</u>	<u>(173,718)</u>
Cash flows from investing activities					
Interest and dividends	1,538	1,058	17	2,613	130
Net (decrease) in cash	199,701	(19,543)	102	180,260	(32,586)
Balances - beginning of the year	951,557	606,942	3,334	1,561,833	244,838
Balances - end of the year	<u>\$ 1,151,258</u>	<u>\$ 587,399</u>	<u>\$ 3,436</u>	<u>\$ 1,742,093</u>	<u>\$ 212,252</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (138,638)	\$ (98,313)	\$ (71,911)	\$ (308,862)	\$ 89,205
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	137,938	520,772	85,950	744,660	45,698
Change in assets and liabilities:					
Receivables, net	13,267	(3,620)	(66,904)	(57,257)	-
Due to/from other governmental units	169,073	-	-	169,073	-
Deferred outflows and inflows	4,302	4,475	5,223	14,000	2,108
Inventory	11,703	2,283	-	13,986	(620)
Prepaid expenses	-	-	(53)	(53)	(480)
Net pension liability	1,943	2,051	3,055	7,049	5,398
Accounts and other payables	(61,661)	70,347	3,292	11,978	(3,307)
Unearned revenue	(175,288)	(30,081)	-	(205,369)	-
Accrued expenses	2,798	6,816	2,163	11,777	(4,570)
Net cash provided by operating activities	<u>\$ (34,563)</u>	<u>\$ 474,730</u>	<u>\$ (39,185)</u>	<u>\$ 400,982</u>	<u>\$ 133,432</u>

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

CITY OF HANCOCK
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	<u>Custodial Fund</u>
Assets	
Cash and equivalents	\$ 1,229
Total assets	<u>1,229</u>
Liabilities	
Due to other funds	211
Due to other governmental units	1,018
Total liabilities	<u>1,229</u>
Net position-restricted for	
Individuals, organizations, and other governments	<u>-</u>
Total net position	<u><u>\$ -</u></u>

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

CITY OF HANCOCK
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2021

	<u>Custodial Fund</u>
Additions	
Property taxes collected for other governments	<u>\$ 6,588,621</u>
Deductions	
Property taxes distributed to other governments	<u>6,588,621</u>
Net increase (decrease) in fiduciary net position	-
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ -</u></u>

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

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, 2021

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, 2020 is as follows:

Total Assets	\$	976,289
Total Liabilities	\$	83,744
Total Net Position	\$	892,545
Total Revenues	\$	730,307
Total Expenses	\$	752,332
Net Operating Income	\$	(23,084)

Portage Lake Water and Sewage Authority

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Authority's financial information for the year ended June 30, 2021 (most recent year audited) shows the following:

Total Assets	\$ 10,972,602
Total Liabilities	\$ 1,232,790
Total Net Position	\$ 9,739,812
Total Revenues	\$ 2,130,981
Total Expenses	\$ 1,818,246
Long-Term Debt	\$ 843,758

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

COMPONENT UNITS

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

DISCRETELY PRESENTED COMPONENT UNITS

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

BLENDED COMPONENT UNITS

City of Hancock Building Authority

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City does not allocate indirect costs.

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES

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

The City reports the following proprietary funds:

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

The City reports the following major enterprise funds:

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

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

Non-major enterprise fund is the Transit Fund.

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

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

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

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.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other Accounting Policies

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

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

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

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

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

<u>Fund</u>	<u>Purpose</u>	<u>Mills</u>
General	Operating	13.2663
General	Fire - extra voted	.7715
Recreation	Recreation	.7937

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. On or before the 1st Monday in April of each year, the City Manager submits to the City Council an operating budget and capital improvement projections for the ensuing fiscal year.
2. A public hearing on the budget is held not less than one week before the budget's final adoption at such time as the council shall direct.
3. On or before the last day in May, the Council, by resolution, adopts a budget for the ensuing fiscal year.
4. The City Council adopts the budget by activity categories generally the same as those presented in the combined financial statements. All budget amendments and transfers during the fiscal year are approved by the Council. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. The City maintains and monitors the budget on a line item basis for accounting control purposes. During the year ended June 30, 2021, the City's budget had been amended.
5. The City allows all unencumbered and unexpended appropriations to lapse at year end.

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE C - CASH

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

	Governmental	Enterprise Fund	Total	Component Unit	Fiduciary Fund
Cash and cash equivalents	\$ 2,033,968	\$ 1,092,002	\$ 3,125,970	\$ 115,292	\$ -
Restricted cash	227,751	650,091	877,842	-	1,229
Total cash	<u>\$ 2,261,719</u>	<u>\$ 1,742,093</u>	<u>\$ 4,003,812</u>	<u>\$ 115,292</u>	<u>\$ 1,229</u>

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

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

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

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2021, \$3,529,108 of the City’s bank balance of \$4,107,355 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

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

Restricted Cash

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

General Fund		Other Funds		Enterprise Funds	
Main Street Local	\$ 42,883	Cemetery Perpetual	\$ 184,868	Water Fund	\$ 502,071
				Sewer Fund	\$ 148,020

General Fund: Main Street Local Pool: In 1993, funds were received from the Department of Housing and Urban Development to establish a revolving loan pool in cooperation with Mainstreet Hancock Inc., a current domestic michigan non-profit corporation. The funds are restricted to be used in the revolving loan program or to further the goals of the original grant in which the funds were received. The \$42,883 represents the balance of the commercial loan program. As of June 30, 2021, there were no outstanding loan balances.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE C - CASH (Continued)

Enterprise Funds: Certain proceeds from operations are restricted for the payment of revenue and general obligation bonds and, accordingly, are recorded as restricted assets in the amount of \$650,091 as of June 30, 2021. Use of these restricted assets are limited by applicable bond indentures and ordinances.

The Cemetery Perpetual Care Trust balance of \$184,868 is reserved for the perpetual care of cemetery lots.

NOTE D - TRANSFERS AND INTERFUND BALANCES

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

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General fund	\$ 21,338	General fund	\$ 89,270
Motor Vehicle fund	7,570	DDA fund	7,570
Transit fund	89,270	Parks and Recreation fund	\$ 21,338
Total	<u>\$ 118,178</u>	Total	<u>\$ 118,178</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, 2021 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	<u>\$ 10,000</u>	Transit fund	<u>\$ 10,000</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, 2021

NOTE E - CAPITAL ASSETS

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

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Land	\$ 438,896	\$ -	\$ -	\$ 438,896
Construction in progress	15,117	66,992	-	82,109
Subtotal	<u>\$ 454,013</u>	<u>\$ 66,992</u>	<u>\$ -</u>	<u>\$ 521,005</u>
Capital assets, being depreciated				
Buildings	2,762,930	\$ -	\$ -	2,762,930
Equipment	1,444,228	152,025	24,050	1,572,203
Improvements	10,779,240	-	-	10,779,240
Vehicles	2,538,974	59,442	95,261	2,503,155
Subtotal	<u>17,525,372</u>	<u>\$ 211,467</u>	<u>\$ 119,311</u>	<u>17,617,528</u>
Accumulated depreciation				
Building	1,612,235	\$ 64,075	\$ -	1,676,310
Equipment	1,186,970	46,519	23,248	1,210,241
Improvements	2,972,107	511,160	-	3,483,267
Vehicles	2,030,152	79,460	95,261	2,014,351
Subtotal	<u>7,801,464</u>	<u>\$ 701,214</u>	<u>\$ 118,509</u>	<u>8,384,169</u>
Net capital assets being depreciated	<u>9,723,908</u>			<u>9,233,359</u>
Net capital assets	<u>\$ 10,177,921</u>			<u>\$ 9,754,364</u>

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

General Fund	\$ 186,071
Building Authority	92,620
Major Streets Fund	369,811
Local Streets Fund	7,014
Motor Vehicle Fund	45,698
	<u>\$ 701,214</u>

The components of property, plant, and equipment in City proprietary funds at June 30, 2021 are summarized as follows:

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
TRANSIT FUND				
Capital assets, being depreciated				
Buildings	\$ 716,473	\$ -	\$ -	\$ 716,473
Equipment	43,120	-	-	43,120
Vehicles	466,089	-	-	466,089
Subtotal	<u>1,225,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,225,682</u>
Accumulated depreciation:				
Buildings	165,684	\$ 17,911	\$ -	183,595
Equipment	43,120	-	-	43,120
Vehicles	199,285	68,039	-	267,324
Subtotal	<u>408,089</u>	<u>\$ 85,950</u>	<u>\$ -</u>	<u>494,039</u>
Net capital assets	<u>\$ 817,593</u>			<u>\$ 731,643</u>

**CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021**

NOTE E - CAPITAL ASSETS (Continued)

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
SEWER DISPOSAL FUND				
Capital assets, being depreciated				
Buildings	\$ 754,725	\$ -	\$ -	\$ 754,725
Vehicles	7,500	-	-	7,500
Utility system	9,549,391	-	-	9,549,391
Subtotal	<u>10,311,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>10,311,616</u>
Accumulated depreciation:				
Buildings	754,726	\$ -	\$ -	754,726
Vehicles	5,000	1,500	-	6,500
Utility system	5,678,494	136,438	-	5,814,932
Subtotal	<u>6,438,220</u>	<u>\$ 137,938</u>	<u>\$ -</u>	<u>6,576,158</u>
Net capital assets	<u>\$ 3,873,396</u>			<u>\$ 3,735,458</u>
WATER SUPPLY FUND				
Capital assets, being depreciated				
Buildings	1,645,692	\$ 54,868	\$ -	1,700,560
Equipment	13,383	-	-	13,383
Vehicles	7,500	-	-	7,500
Land	73,500	-	-	73,500
Loan fees/lease	238,496	-	-	238,496
Utility system	18,932,132	-	-	18,932,132
Subtotal	<u>20,910,703</u>	<u>\$ 54,868</u>	<u>\$ -</u>	<u>20,965,571</u>
Accumulated depreciation:				
Buildings	1,645,692	\$ -	\$ -	1,645,692
Equipment	13,381	-	-	13,381
Vehicles	4,000	1,500	-	5,500
Loan fees/lease	205,740	4,490	-	210,230
Utility system	5,820,789	514,782	-	6,335,571
Subtotal	<u>7,689,602</u>	<u>\$ 520,772</u>	<u>\$ -</u>	<u>8,210,374</u>
Net capital assets	<u>\$ 13,221,101</u>			<u>\$ 12,755,197</u>

NOTE F - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2021, for the City’s governmental funds individual major funds and non-major funds in the aggregate, are as follows:

Payables	Governmental	Enterprise	Total
Accounts payable	\$ 180,100	\$ 120,713	\$ 300,813
Accrued expenses	76,873	46,658	123,531
Total	<u>\$ 256,973</u>	<u>\$ 167,371</u>	<u>\$ 424,344</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE G - ACCUMULATED UNPAID VACATION AND SICK LEAVE

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

Accumulated unpaid vacation and sick leave at June 30, 2021 was \$39,320 and \$134,012 respectively.

NOTE H - LONG TERM DEBT

GOVERNMENTAL ACTIVITIES

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

Fiscal Year	Principal
2021-2022	\$ 189,034
2022-2023	189,034
2024-2025	189,034
	\$ 567,102

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

Fiscal Year	Principal	Interest	Total
2021-2022	\$ 42,056	\$ 2,026	\$ 44,082
2022-2023	39,744	1,071	40,815
	\$ 81,800	\$ 3,097	\$ 84,897

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

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

Fiscal Year	Principal	Interest	Total
2021-2022	\$ 25,000	\$ 5,765	\$ 30,765
2022-2023	30,000	5,165	35,165
2023-2024	30,000	4,310	34,310
2024-2025	30,000	3,455	33,455
2025-2026	30,000	2,600	32,600
2026-2027	35,000	1,400	36,400
	\$ 180,000	\$ 22,695	\$ 202,695

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE H - LONG TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 50,000	\$ 13,503	\$ 63,503
2022-2023	55,000	12,303	67,303
2023-2024	55,000	10,735	65,735
2024-2025	55,000	9,168	64,168
2025-2026	60,000	7,600	67,600
2026-2027	65,000	5,200	70,200
2027-2028	65,000	2,600	67,600
	<u>\$ 405,000</u>	<u>\$ 61,109</u>	<u>\$ 466,109</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 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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 15,000	\$ 14,768	\$ 29,768
2022-2023	15,000	14,149	29,149
2023-2024	16,000	13,530	29,530
2024-2025	17,000	12,870	29,870
2025-2026	17,000	12,169	29,169
2026-2027	18,000	11,468	29,468
2027-2028	19,000	10,725	29,725
2028-2029	20,000	9,941	29,941
2029-2030	21,000	9,116	30,116
2030-2031	22,000	8,250	30,250
2031-2036	121,000	27,225	148,225
2036-2037	57,000	3,546	60,546
	<u>\$ 358,000</u>	<u>\$ 147,757</u>	<u>\$ 505,757</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE H - 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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 3,000	\$ 3,330	\$ 6,330
2022-2023	3,000	3,195	6,195
2023-2024	3,000	3,060	6,060
2024-2025	3,000	2,925	5,925
2025-2026	4,000	2,790	6,790
2026-2027	4,000	2,610	6,610
2027-2028	4,000	2,430	6,430
2028-2029	4,000	2,250	6,250
2029-2030	4,000	2,070	6,070
2030-2031	4,000	1,890	5,890
2031-2036	26,000	6,300	32,300
2036-2037	12,000	810	12,810
	<u>\$ 74,000</u>	<u>\$ 33,660</u>	<u>\$ 107,660</u>

ENTERPRISE FUNDS

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 23,000	\$ 26,906	\$ 49,906
2022-2023	24,000	26,302	50,302
2023-2024	24,000	25,672	49,672
2024-2025	25,000	25,042	50,042
2025-2026	25,000	24,386	49,386
2026-2031	137,000	111,641	248,641
2031-2036	156,000	92,689	248,689
2036-2041	180,000	71,006	251,006
2041-2046	205,000	46,069	251,069
2046-2051	226,000	17,928	243,928
	<u>\$ 1,025,000</u>	<u>\$ 467,641</u>	<u>\$ 1,492,641</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE H - LONG TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 72,000	\$ 73,839	\$ 145,839
2022-2023	74,000	72,129	146,129
2023-2024	76,000	70,371	146,371
2024-2025	77,000	68,566	145,566
2025-2026	79,000	66,738	145,738
2026-2031	425,000	304,594	729,594
2031-2036	478,000	251,679	729,679
2036-2041	539,000	192,066	731,066
2041-2046	605,000	125,044	730,044
2046-2051	684,000	49,634	733,634
	<u>\$ 3,109,000</u>	<u>\$ 1,274,660</u>	<u>\$ 4,383,660</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 39,000	\$ 45,504	\$ 84,504
2022-2023	40,000	44,467	84,467
2023-2024	41,000	43,404	84,404
2024-2025	42,000	42,315	84,315
2025-2026	43,000	41,200	84,200
2026-2031	234,000	188,132	422,132
2031-2036	267,000	155,282	422,282
2036-2041	304,000	117,864	421,864
2041-2046	346,000	75,287	421,287
2046-2051	397,000	26,685	423,685
	<u>\$ 1,753,000</u>	<u>\$ 780,140</u>	<u>\$ 2,533,140</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE H - LONG TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 110,000	\$ 62,875	\$ 172,875
2022-2023	115,000	60,125	175,125
2023-2024	120,000	57,250	177,250
2024-2025	120,000	54,250	174,250
2025-2026	125,000	51,250	176,250
2026-2031	665,000	208,250	873,250
2031-2036	760,000	120,375	880,375
2036-2041	500,000	25,125	525,125
	<u>\$ 2,515,000</u>	<u>\$ 639,500</u>	<u>\$ 3,154,500</u>

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 36,000	\$ 31,938	\$ 67,938
2022-2023	36,000	31,308	67,308
2023-2024	37,000	30,678	67,678
2024-2025	38,000	30,030	68,030
2025-2026	39,000	29,365	68,365
2026-2031	206,000	136,343	342,343
2031-2036	230,000	117,512	347,512
2036-2041	255,000	96,512	351,512
2041-2046	283,000	73,273	356,273
2046-2051	315,000	47,407	362,407
2051-2056	350,000	18,671	368,671
	<u>\$ 1,825,000</u>	<u>\$ 643,037</u>	<u>\$ 2,468,037</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE H - LONG TERM DEBT (Continued)

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 1,000	\$ 1,190	\$ 2,190
2022-2023	1,000	1,173	2,173
2023-2024	1,000	1,155	2,155
2024-2025	1,000	1,138	2,138
2025-2026	1,000	1,120	2,120
2026-2031	7,000	5,320	12,320
2031-2036	10,000	4,550	14,550
2036-2041	10,000	3,675	13,675
2041-2046	10,000	2,800	12,800
2046-2051	10,000	1,925	11,925
2051-2056	16,000	1,050	17,050
	<u>\$ 68,000</u>	<u>\$ 25,096</u>	<u>\$ 93,096</u>

INTERNAL SERVICE FUNDS - INSTALLMENT LOANS

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

<u>Purpose of Note</u>	<u>Date</u>	<u>Original</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>	<u>Current</u>
2011 Sander	4/20/11	\$ 187,000	10/1/26	4.13 %	\$ 55,000	\$ 10,000
2011 Grader	4/20/11	\$ 130,000	4/1/26	4.00 %	\$ 74,000	\$ 13,500
2017 Western Star Sander/Scraper	12/15/16	\$ 145,595	12/15/23	2.49 %	\$ 65,468	\$ 21,292
2019 International Dump Truck	12/20/18	\$ 81,439	12/20/23	3.89 %	\$ 50,648	\$ 16,265
2020 Snow Blower	1/24/2020	\$ 143,773	1/24/25	2.75 %	\$ 116,542	\$ 27,956
Total					<u>\$ 361,658</u>	<u>\$ 89,013</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE H - LONG TERM DEBT (Continued)

Long-term debt liabilities for governmental activities, are reported in and liquidated through the General, Major and Local Street, Parks and Recreation, Building Authority, Employee Benefits and Motor Vehicle funds for the fiscal year ended June 30, 2021, was as follows:

	Balance July 01, 2020	Increase	Decrease	Balance June 30, 2021	Current Portion
GOVERNMENTAL ACTIVITIES					
Superior National Bank - Fire truck	\$ 165,802	\$ -	\$ 84,002	\$ 81,800	\$ 42,056
MDOT State Infrastructure Bank Loan	756,136	-	189,034	567,102	189,034
2015 Refunding Bond:					
Fire Hall	205,000	-	25,000	180,000	25,000
Public Works Garage	455,000	-	50,000	405,000	50,000
2008A Building Authority Bonds	372,000	-	14,000	358,000	15,000
2008B Building Authority Bonds	77,000	-	3,000	74,000	3,000
Premium on bond	19,730	-	2,466	17,264	-
	<u>2,050,668</u>	-	<u>367,502</u>	<u>1,683,166</u>	<u>324,090</u>
INTERNAL SERVICE FUND					
Installment Loans	447,847	-	86,189	361,658	89,013
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,498,515</u>	<u>\$ -</u>	<u>\$ 453,691</u>	<u>\$ 2,044,824</u>	<u>\$ 413,103</u>
ENTERPRISE FUNDS					
2010 Sanitary Sewage Disposal Bonds	\$ 1,791,000	\$ -	\$ 38,000	\$ 1,753,000	\$ 39,000
2011A Water Supply System Bonds	1,047,000	-	22,000	1,025,000	23,000
2011B Water Supply System Bonds	3,180,000	-	71,000	3,109,000	72,000
2016A Water Revenue Bond	1,860,000	-	35,000	1,825,000	36,000
2016B Water Revenue Bond	69,000	-	1,000	68,000	1,000
2008 Water Supply System Bond	2,625,000	-	110,000	2,515,000	110,000
TOTAL ENTERPRISE FUNDS	<u>\$ 10,572,000</u>	<u>\$ -</u>	<u>\$ 277,000</u>	<u>\$ 10,295,000</u>	<u>\$ 281,000</u>
Accrued compensated absences	<u>\$ 155,713</u>	<u>\$ -</u>	<u>\$ 17,619</u>	<u>\$ 138,094</u>	

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE H - LONG TERM DEBT (Continued)

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

GOVERNMENTAL ACTIVITIES			
Fiscal Year	Principal	Interest	Total
2021-2022	\$ 324,090	\$ 39,392	\$ 363,482
2022-2023	331,778	35,883	367,661
2023-2024	293,034	31,635	324,669
2024-2025	105,000	28,418	133,418
2025-2026	111,000	25,159	136,159
2026-2027	122,000	20,678	142,678
2027-2028	88,000	15,755	103,755
2028-2029	24,000	12,191	36,191
2029-2030	25,000	11,186	36,186
2030-2031	26,000	10,140	36,140
2031-2036	147,000	33,525	180,525
2036-2042	69,000	4,356	73,356
	<u>\$ 1,665,902</u>	<u>\$ 268,318</u>	<u>\$ 1,934,220</u>

INTERNAL SERVICE FUNDS			
Fiscal Year	Principal	Interest	Total
2021-2022	\$ 89,013	\$ 12,111	\$ 101,124
2022-2023	91,963	9,207	101,170
2023-2024	95,369	6,203	101,572
2024-2025	57,313	3,078	60,391
2025-2026	28,000	1,135	29,135
	<u>\$ 361,658</u>	<u>\$ 31,734</u>	<u>\$ 393,392</u>

ENTERPRISE FUNDS			
Fiscal Year	Principal	Interest	Total
2021-2022	\$ 281,000	\$ 242,252	\$ 523,252
2022-2023	290,000	235,504	525,504
2023-2024	299,000	228,530	527,530
2024-2025	303,000	221,341	524,341
2025-2026	312,000	214,059	526,059
2026-2031	1,674,000	954,280	2,628,280
2031-2036	1,901,000	742,087	2,643,087
2036-2041	1,788,000	506,248	2,294,248
2041-2046	1,449,000	322,473	1,771,473
2046-2051	1,632,000	143,579	1,775,579
2051-2056	366,000	19,721	385,721
	<u>\$ 10,295,000</u>	<u>\$ 3,830,074</u>	<u>\$ 14,125,074</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE I - PENSION PLAN

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

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

Employees covered by benefit terms - At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>13</u>
Total employees covered by MERS	<u>27</u>

Contributions - The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees. Employer contributions were 24.5% of annual payroll.

Net Pension Liability - The City's Net Pension Liability reported as of June 30, 2021 was measured as of December 31, 2020 and was determined by an annual actuarial valuation as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/19	\$ 4,741,864	\$ 2,844,867	\$ 1,896,997
Service cost	87,681	-	87,681
Interest on total pension liability	353,025	-	353,025
Changes in benefits	(12,188)	-	(12,188)
Difference between expected and actual experience	49,442	-	49,442
Changes in assumptions	184,197	-	184,197
Employer contributions	-	189,750	(189,750)
Employee contributions	-	27,108	(27,108)
Net investment income	-	397,109	(397,109)
Benefit payments, including employee refunds	(281,269)	(281,269)	-
Administrative expense	-	(5,681)	5,681
Other changes	-	-	-
Net changes	<u>380,888</u>	<u>327,017</u>	<u>53,871</u>
Balances as of 12/31/20	<u>\$ 5,122,752</u>	<u>\$ 3,171,884</u>	<u>\$ 1,950,868</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE I - PENSION PLAN (Continued)

Actuarial assumptions - The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.00%	
Salary increases	3.00%	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation.
Investment rate of return	7.35%	Gross of pension plan investment expense, including inflation

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

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

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

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2020, the measurement date, for each major asset class summarized in the following table:

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

Discount rate - The discount rate used to measure the total pension liability is 7.6% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate - The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.6%, as well as what the City’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1% higher (8.6%) than the current rate.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE I - PENSION PLAN (Continued)

	1%	Current	1%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
Net pension liability of the City	\$ 2,567,713	\$ 1,950,868	\$ 1,434,391

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

Pension expense and deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pensions - For the year ended June 30, 2021 the City recognized pension expense of \$371,382. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred	Deferred
	Outflow	Inflow
	<u>of Resources</u>	<u>of Resources</u>
Differences in experience	\$ 156,732	\$ 83,269
Differences in assumptions	377,425	-
Excess (deficit) investment returns	192,112	370,089
Contributions subsequent to the measurement date	101,259	-
Total	<u>\$ 827,528</u>	<u>\$ 453,358</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2022.

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

<u>Year ended</u>	<u>Amount</u>
2022	\$ 126,950
2023	85,881
2024	80,621
2025	16,584
2026	<u>(37,125)</u>
	<u>\$ 272,911</u>

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE J - ENTERPRISE FUNDS - SEGMENT INFORMATION

The City maintains four Enterprise Funds which provide water, sewer, and services. Segment information for the year ended June 30, 2021 is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Transit</u>
Operating revenues	\$ 1,040,486	\$ 1,218,716	\$ 297,023
Depreciation	\$ 137,938	\$ 520,772	\$ 85,950
Income (loss) from operations	\$ (138,638)	\$ (98,313)	\$ (71,911)
Non-operating revenues (expenses)	\$ (38,249)	\$ (200,405)	\$ 17
Capital contributions and transfers	\$ 310,513	\$ -	\$ 89,270
Net income (loss)	\$ 133,626	\$ (298,718)	\$ 17,376
Property, plant & equipment additions	\$ -	\$ 54,868	\$ -
Assets			
Current assets	\$ 1,387,727	\$ 699,609	\$ 70,340
Capital assets - net	\$ 3,735,458	\$ 12,755,197	\$ 731,643
Total assets	\$ 5,123,185	\$ 13,454,806	\$ 803,931
Deferred outflow of resources	\$ 33,510	\$ 35,510	\$ 36,853
Liabilities and net position			
Current liabilities	\$ 72,696	\$ 404,372	\$ 20,276
Due to other funds	\$ -	\$ -	\$ 10,000
Long term liabilities	\$ 1,797,484	\$ 8,388,374	\$ 87,149
Total liabilities	\$ 1,870,180	\$ 8,792,746	\$ 117,425
Deferred inflows of resources	\$ 17,147	\$ 18,067	\$ 16,669
Net investment in capital assets	\$ 1,982,458	\$ 4,213,197	\$ 731,643
Restricted net position	\$ 148,020	\$ 502,071	\$ -
Unrestricted net position	\$ 3,121,348	\$ 4,177,432	\$ 706,690
Total net position	\$ 3,269,368	\$ 4,679,503	\$ 706,690
Net cash provided (used) by:			
Operating activities	\$ (34,563)	\$ 474,730	\$ (39,185)
Noncapital financing activities	\$ -	\$ -	\$ 39,270
Capital & related financing activities	\$ 232,726	\$ (495,331)	\$ -
Investing activities	\$ 1,538	\$ 1,058	\$ 17
Beginning cash	\$ 951,557	\$ 606,942	\$ 3,334
Ending cash	\$ 1,151,258	\$ 587,399	\$ 3,436

NOTE K - RESERVES AND RESTRICTED ASSETS

Water Fund

2011A and 2011B Water Supply System Revenue Bonds

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

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

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE K - RESERVES AND RESTRICTED ASSETS (Continued)

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

2016A and 2016B Water Supply System Revenue Bonds

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

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

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

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

Sewer Fund

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

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

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

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

At June 30, 2021, the City had established these accounts and had restricted cash, as required, as follows:

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE K - RESERVES AND RESTRICTED ASSETS (Continued)

	<u>Required</u>	<u>Amount Funded</u>
Water Fund		
<u>2011A and 2011B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 191,978	\$ 178,945
Repair and Replacement Account	97,617	93,290
Bond and Interest Redemption Account	48,436	50,519
	<u>\$ 338,031</u>	<u>\$ 322,754</u>
 <u>2016A and 2016B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 39,000	\$ 31,282
Repair and Replacement Account	162,010	129,946
Bond and Interest Redemption Account	17,532	18,089
	<u>\$ 218,542</u>	<u>\$ 179,317</u>
 Sewer Fund		
<u>2010 Sewage Disposal System Revenue Bonds</u>		
Bond Reserve Account	\$ 85,440	\$ 85,440
Repair and Replacement Account	41,576	41,576
Bond and Interest Redemption Account	21,004	21,004
	<u>\$ 148,020</u>	<u>\$ 148,020</u>

NOTE L - TRANSIT FUND

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

The following are required Michigan Department of Transportation disclosures:

- Management provides assurance that the City of Hancock Transit has one approved cost allocation plan, which was adhered to in the preparation of the City of Hancock's financial statements.
- The methodology used for compiling miles and other nonfinancial information used to allocate costs has been reviewed and the recording method has been found to be adequate and reliable.
- The depreciation expense reported in 51300 equals the ineligible depreciation reported in 55007. Therefore, the depreciation assurance regarding approval of useful life is not required.
- No operating expenses are subtracted out as ineligible because no capital money was used to pay for operating expenses.
- The Hancock Transit has not received auxiliary or non-transportation revenue.
- Pension costs incurred for the defined benefit retirement plan administered by MERS were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in STEP 6 of the guide is \$342,755. Of this amount \$8,278 was expensed on the books of the Transit Fund and \$0 was reported on line 50200 Fringes.
- The Transit Fund did not incur, nor pay, any 50201 pension costs or 50202 other post-employment benefits.

The Department of Transportation required schedules are located on pages 70 through 74.

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE M - TAX INCREMENT FINANCING

The City approved the Downtown Development District and Tax Increment Financing Plan (DDA TIF) dated September 1984. December 17, 2014 an amendment was approved by the City to extend the life of the 1993 Amendment Plan to terminate upon the collections of the last taxes levied for the year 2044 . The DDA TIF is a plan to prevent further deterioration and to encourage historic preservation and economic growth in the Downtown District. The DDA TIF Plan is allowed by Michigan Public Act 197 of 1975 (Act 197). The primary purpose of Act 197 is to encourage the marketing and promotion of the Downtown District, historic preservation, catalytic projects and infrastructure improvement projects (streetscapes, lighting, parks, etc.). Tax increment financing is eligible for certain eligible activities. The amount of taxes foregone by the City during the fiscal year was \$130,581.

NOTE N - RELATED PARTY TRANSACTIONS

The Portage Lake Water and Sewage Authority is a jointly governed organization consisting of five members, of which two are appointed by the respective City Councils of Houghton and Hancock, and the fifth member appointed by the other four members. The entity is not a component unit of the City. Further financial information is detailed in Note A of these financial statements. As of June 30, 2021, The Portage Lake Water and Sewage Authority owed the City \$27,815, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due from other governmental units.

NOTE O - RISK MANAGEMENT

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

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2021 will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE P - CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position of the custodial fund was restated to reflect the implementation of GASB Statement No. 84, Fiduciary Activities. GASB Statement No. 84 requires custodial funds to report increases and decreases and change in net position in fund activity on the Statement of Changes in Fiduciary Net Position. As a result of implementing this statement, the beginning net position of the fiduciary fund was determined to be \$0

NOTE Q - SUBSEQUENT EVENTS

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

CITY OF HANCOCK
NOTES TO FINANCIAL STATEMENTS - June 30, 2021

NOTE Q - SUBSEQUENT EVENTS (Continued)

- On August 2, 2018 the Federal Emergency Management Agency, FEMA, declared a state of emergency for the City of Hancock as a result of storm damage occurring from June 16-18, 2018. Recovery efforts will be funded by FEMA. FEMA requires local matching funds of twenty-five percent local match. FEMA projects have been ongoing and will continue into the 2021-22 fiscal year.
- On May 5, 2021 the City was awarded an Economic Adjustment Assistance grant for the development of a business and technology park. The grant will pay for 80% of project costs with a 20% match required from the City. The total cost of the project is estimated to be \$3,330,140 with the grant covering \$2,664,112 of project costs and the remaining costs to be paid for by the City. The project is expected to begin in the next fiscal year.
- In November of 2021 the City was awarded an MEDC Site Readiness grant in the amount of \$75,000 to go towards the City match required by the Economic Adjustment Assistance grant for the development of a business and technology park.
- In September of 2021 the City approved a quote in the amount of \$32,340 for the installation of fencing for a new dog park.
- In September of 2021 the City approved a contractor for the installation of a fire hall generator in the amount of \$42,945. The generator installation will be reimbursed by a hazard mitigation assistance grant in the amount of \$30,675, which was awarded to the City on December 21, 2020. The remaining cost of the project will be paid for by the City.
- In November of 2021, the City approved the financing of a 2016 John Deere Grader in the amount of \$158,575.14.
- In September of 2021, the City approved the sale two Spruce Haven lots in the amount of \$20,000.
- In October of 2021, the City approved the sale of a Spruce Haven lot in the amount of \$18,500.
- In November of 2021, the City approved the sale of a Spruce Haven lot in the amount of \$20,000.

NOTE R - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the City's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor, is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HANCOCK
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Property taxes	\$ 1,577,207	\$ 1,612,550	\$ 1,610,956	\$ (1,594)
Licenses & permits	-	5,000	115	(4,885)
State sources	693,654	965,000	938,508	(26,492)
Federal sources	23,375	216,700	214,653	(2,047)
Charges for services	390,700	441,900	490,272	48,372
Interest income	2,550	2,850	2,206	(644)
Other revenues	61,900	61,900	90,677	28,777
Total revenues	<u>2,749,386</u>	<u>3,305,900</u>	<u>3,347,387</u>	<u>41,487</u>
Expenditures				
Council	21,460	38,085	36,563	1,522
City manager	122,265	98,550	96,928	1,622
Clerk	78,603	57,200	50,140	7,060
Treasurer	102,909	74,044	67,939	6,105
Accounting	28,900	33,000	28,181	4,819
Assessor	32,150	34,230	33,979	251
Planning	61,000	82,500	79,481	3,019
Elections	11,660	40,030	41,855	(1,825)
Building and grounds	78,800	76,290	73,030	3,260
Cemetery	51,450	83,830	85,679	(1,849)
Public safety	935,740	1,102,176	1,097,941	4,235
Public works	386,800	304,440	288,816	15,624
Recreation and culture	178,200	316,870	276,443	40,427
Sanitation	221,700	271,450	272,208	(758)
Debt service	121,000	232,200	277,198	(44,998)
Other	56,700	43,600	41,918	1,682
Total expenditures	<u>2,489,337</u>	<u>2,888,495</u>	<u>2,848,299</u>	<u>40,196</u>
Excess (deficiency) of revenues over expenditures	260,049	417,405	499,088	81,683
Other financing sources (uses)				
Proceeds on sale of assets	-	-	5,005	5,005
Operating transfers in (out)	(50,000)	(79,270)	(67,932)	11,338
Total other financing sources (uses)	<u>(50,000)</u>	<u>(79,270)</u>	<u>(62,927)</u>	<u>16,343</u>
Net change in fund balances	<u>\$ 210,049</u>	<u>\$ 338,135</u>	436,161	<u>\$ 98,026</u>
Fund balances - Beginning of year			<u>1,005,335</u>	
Fund balances - End of year			<u>\$ 1,441,496</u>	

CITY OF HANCOCK
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
State sources	\$ 848,600	\$ 785,006	\$ 761,782	\$ (23,224)
Federal sources	3,600	2,000	2,001	1
Interest income	200	175	320	145
Other revenues	-	-	-	-
Total revenues	<u>852,400</u>	<u>787,181</u>	<u>764,103</u>	<u>(23,078)</u>
Expenditures				
General administration	27,710	17,995	13,018	4,977
Highways and streets:				
Construction	58,200	22,803	31,120	(8,317)
State trunkline maintenance	344,800	257,435	293,952	(36,517)
Routine maintenance	53,000	57,380	57,199	181
Traffic services	11,700	24,433	16,401	8,032
Snow and ice control	211,500	140,000	149,435	(9,435)
Sweeping and flushing	3,825	1,900	1,791	109
Total expenditures	<u>710,735</u>	<u>521,946</u>	<u>562,916</u>	<u>(40,970)</u>
Excess (deficiency) of revenues over expenditures	141,665	265,235	201,187	(64,048)
Other financing sources (uses)				
Net change in fund balances	<u>\$ 141,665</u>	<u>\$ 265,235</u>	201,187	<u>\$ (64,048)</u>
Fund balances - Beginning of year			<u>146,092</u>	
Fund balances - End of year			<u>\$ 347,279</u>	

CITY OF HANCOCK
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Property taxes	\$ 135,000	\$ 136,000	\$ 143,005	\$ 7,005
State sources	206,700	231,276	465,878	234,602
Federal sources	-	373,000	286,519	(86,481)
Interest income	500	450	386	(64)
Other revenues	-	300	251	(49)
Total revenues	<u>342,200</u>	<u>741,026</u>	<u>896,039</u>	<u>155,013</u>
Expenditures				
General administration	7,460	8,120	3,995	4,125
Highways and streets:				
Construction	29,100	408,270	405,239	3,031
Routine maintenance	40,500	114,850	111,886	2,964
Traffic services	7,100	15,650	11,890	3,760
Snow and ice control	230,000	163,000	182,327	(19,327)
Sweeping and flushing	1,780	1,300	2,425	(1,125)
Total expenditures	<u>315,940</u>	<u>711,190</u>	<u>717,762</u>	<u>(6,572)</u>
Net change in fund balances	<u>\$ 26,260</u>	<u>\$ 29,836</u>	178,277	<u>\$ 148,441</u>
Fund balances - Beginning of year			<u>310,035</u>	
Fund balances - End of year			<u>\$ 488,312</u>	

CITY OF HANCOCK
SCHEDULE OF CHANGES IN THE CITY NET
PENSION LIABILITY AND RATIOS
Year Ended June 30, 2021

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

CITY OF HANCOCK
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2021

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

CITY OF HANCOCK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2021

NOTE A - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATE

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5 years smoothed
Inflation	3.0%
Salary increases	3.0%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male blend of the RP-2014 Group Annuity Mortality Table

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

CITY OF HANCOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2021

	<u>Redevelopment</u>	<u>Park & Recreation Fund</u>	<u>Building Authority</u>	<u>Development</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 6,699	\$ 32,753	\$ 1,655	\$ 38,394	\$ -	\$ 79,501
Restricted cash	-	-	-	-	184,868	184,868
Due from government units	30,000	-	-	-	-	30,000
Total assets	<u>\$ 36,699</u>	<u>\$ 32,753</u>	<u>\$ 1,655</u>	<u>\$ 38,394</u>	<u>\$ 184,868</u>	<u>\$ 294,369</u>
Liabilities						
Accounts payable	\$ 1,200	\$ 4,608	\$ -	\$ -	\$ -	\$ 5,808
Total liabilities	<u>1,200</u>	<u>4,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,808</u>
Fund balances						
Restricted	35,499	28,145	1,655	38,394	184,868	288,561
Total fund balances	<u>35,499</u>	<u>28,145</u>	<u>1,655</u>	<u>38,394</u>	<u>184,868</u>	<u>288,561</u>
Total liabilities and fund balances	<u>\$ 36,699</u>	<u>\$ 32,753</u>	<u>\$ 1,655</u>	<u>\$ 38,394</u>	<u>\$ 184,868</u>	<u>\$ 294,369</u>

CITY OF HANCOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2021

	<u>Redevelopment</u>	<u>Park & Recreation Fund</u>	<u>Building Authority</u>	<u>Development</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
Revenues						
Property taxes	\$ -	\$ 92,923	\$ -	\$ -	\$ -	\$ 92,923
Interest income	-	99	1	-	310	410
Rentals	-	-	131,878	-	-	131,878
Miscellaneous income	2,000	-	-	18,007	-	20,007
Total revenues	<u>32,000</u>	<u>93,022</u>	<u>131,879</u>	<u>18,007</u>	<u>310</u>	<u>275,218</u>
Expenditures						
General administration	394	-	-	-	-	394
Recreation and culture	-	51,716	-	-	-	51,716
Public works	30,690	-	-	-	-	30,690
Debt service	-	-	131,878	-	-	131,878
Total expenditures	<u>31,084</u>	<u>51,716</u>	<u>131,878</u>	<u>-</u>	<u>-</u>	<u>214,678</u>
Excess (deficiency) of revenues over expenditures	916	41,306	1	18,007	310	60,540
Other financing sources (uses)						
Operating transfers in (out)	-	(21,338)	-	-	-	(21,338)
Total other financing sources (uses)	<u>-</u>	<u>(21,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,338)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	916	19,968	1	18,007	310	39,202
Fund balances - Beginning of year	<u>34,583</u>	<u>8,177</u>	<u>1,654</u>	<u>20,387</u>	<u>184,558</u>	<u>249,359</u>
Fund balances - End of year	<u>\$ 35,499</u>	<u>\$ 28,145</u>	<u>\$ 1,655</u>	<u>\$ 38,394</u>	<u>\$ 184,868</u>	<u>\$ 288,561</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING NET POSITION
June 30, 2021

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 176,028	\$ 36,224	\$ 212,252
Restricted cash	-	-	-
Due from other funds	-	-	-
Inventories	-	33,633	33,633
Prepaid expenses	-	17,535	17,535
Capital assets - net	-	432,903	432,903
Total assets	<u>176,028</u>	<u>520,295</u>	<u>696,323</u>
Deferred outflows of resources - pension	-	13,884	13,884
Liabilities			
Accounts payable	6,247	8,311	14,558
Accrued expenses	6,331	2,671	9,002
Accrued interest payable	-	4,644	4,644
Net pension liability	-	32,971	32,971
Current maturities	-	89,012	89,012
Notes payable	-	272,645	272,645
Total liabilities	<u>12,578</u>	<u>410,254</u>	<u>422,832</u>
Deferred inflows of resources - pension	-	8,543	8,543
Net position			
Unreserved	<u>163,450</u>	<u>115,382</u>	<u>278,832</u>
Total net position	<u>\$ 163,450</u>	<u>\$ 115,382</u>	<u>\$ 278,832</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year Ended June 30, 2021

	<u>Employee</u> <u>Benefits</u>	<u>Motor Vehicle</u> <u>Fund</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 876,796	\$ 500,126	\$ 1,376,922
Other revenues	-	-	-
Total operating revenues	<u>876,796</u>	<u>500,126</u>	<u>1,376,922</u>
Operating expenses			
General administration	-	2,527	2,527
Garage maintenance	-	120,592	120,592
Operations and maintenance	-	334,880	334,880
Depreciation	-	45,698	45,698
Benefit payments:			
Payroll taxes	13,734	-	13,734
Retirement plan expense	116,686	-	116,686
Holiday pay	47,818	-	47,818
Sickpay/personal leave	12,961	-	12,961
Vacation pay	40,479	-	40,479
Workers' compensation insurance	76,413	-	76,413
Hospitalization insurance	385,132	-	385,132
Employee life insurance	494	-	494
Longevity pay	81,924	-	81,924
Other	8,379	-	8,379
Total operating expenses	<u>784,020</u>	<u>503,697</u>	<u>1,287,717</u>
Operating income (loss)	<u>92,776</u>	<u>(3,571)</u>	<u>89,205</u>
Non-operating revenues (expenses)			
Gain on sale of assets	-	13,551	13,551
Interest income	35	95	130
Interest expense	-	(13,675)	(13,675)
Federal sources	-	50,000	50,000
Operating transfers in (out)	-	7,570	7,570
Total non-operating revenues (expenses)	<u>35</u>	<u>57,541</u>	<u>57,576</u>
Net income (loss)	92,811	53,970	146,781
Net Position- Beginning of year	<u>70,639</u>	<u>61,412</u>	<u>132,051</u>
Net Position - End of year	<u>\$ 163,450</u>	<u>\$ 115,382</u>	<u>\$ 278,832</u>

CITY OF HANCOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOW
Year Ended June 30, 2021

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 876,796	\$ 500,126	\$ 1,376,922
Payments to suppliers	(672,211)	(305,123)	(977,334)
Payments to employees	(117,217)	(148,939)	(266,156)
Net cash provided by operating activities	<u>87,368</u>	<u>46,064</u>	<u>133,432</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	-	7,570	7,570
Cash flows from capital and related financing activities			
Purchases of capital assets	-	(137,405)	(137,405)
Principal paid on capital debt	-	(86,189)	(86,189)
Non-operating grants	-	50,000	50,000
Interest paid on capital debt	-	(13,675)	(13,675)
Proceeds from sale of assets	-	13,551	13,551
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(173,718)</u>	<u>(173,718)</u>
Cash flows from investing activities			
Interest and dividends	35	95	130
Net (decrease) in cash	87,403	(119,989)	(32,586)
Balances - beginning of the year	88,625	156,213	244,838
Balances - end of the year	<u>\$ 176,028</u>	<u>\$ 36,224</u>	<u>\$ 212,252</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 92,776	\$ (3,571)	\$ 89,205
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	45,698	45,698
Change in assets and liabilities:			
Deferred outflows and inflows	-	2,108	2,108
Inventory	-	(620)	(620)
Prepaid expenses	-	(480)	(480)
Net pension liability	4,500	898	5,398
Accounts and other payables	(6,144)	2,837	(3,307)
Accrued expenses	(3,764)	(806)	(4,570)
Net cash provided by operating activities	<u>\$ 87,368</u>	<u>\$ 46,064</u>	<u>\$ 133,432</u>

CITY OF HANCOCK
TRANSIT FUND SUPPLEMENTAL INFORMATION
June 30, 2021

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING REVENUE
Year Ended June 30, 2021

	07/01/20 through 09/30/20	10/01/20 through 06/30/21	Total
Farebox receipts - passenger fares	\$ 7,007	\$ 27,780	\$ 34,787
State Operating Assistance*	19,660	81,688	101,348
Federal Section 5311**	-	29,642	29,642
Federal RTAP	-	-	-
Local Operating Assistance**	-	89,270	89,270
Cares act***	19,237	49,677	68,914
Gains from sale of capital assets	-	804	804
Refunds and credits	-	-	-
Interest Income****	5	10	15
Total Operating Revenue	\$ 45,909	\$ 278,871	\$ 324,780

	10/01/19 through 06/30/20	07/01/20 through 09/30/20	Total
Farebox receipts - passenger fares	\$ 29,799	\$ 7,007	\$ 36,806
State Operating Assistance	70,821	19,660	90,481
Federal Section 5311	23,936	-	23,936
Federal RTAP	634	-	634
Local Operating Assistance	41,516	-	41,516
Cares act	21,425	19,237	40,662
Gains from sale of capital assets	456	-	456
Refunds and credits	823	-	823
Interest Income	8	5	13
Total Operating Revenue	\$ 189,418	\$ 45,909	\$ 235,327

* State revenue is \$11,657 less than what's reported on page 24 due to \$15,725 received for audits performed on prior year activity. The remaining difference of (\$4,068) is because revenue received and reported on page 24 is based off of budgeted expenses and revenue reported above is based off of actual expenses.

** Federal revenue & CARES act revenue is combined on page 24 and is \$49,871 higher than what's reported above. The difference is due to \$4,555 received for audit performed on prior year activity, \$21,425 was received for prior year 3rd quarter activity, \$4,722 was received for 4th quarter, and \$19,169 for 3rd quarter in which the City didn't know they were going to receive and therefore didn't report on OAR report.

*** Cares act revenue is reported on the federal line on page 24.

*** Interest revenue is lower than what's reported on page 24 due to \$2 in rounding.

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
Year Ended June 30, 2021

	07/01/20 through 09/30/20				10/01/20 through 06/30/21				Total			
	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total
Labor:												
Wages - operations	\$ 18,507	\$ -	\$ -	\$ 18,507	\$ 57,745	\$ -	\$ 12,548	\$ 70,293	\$ 76,252	\$ -	\$ 12,548	\$ 88,800
Other salaries and wages	-	2,655	7,962	10,617	-	12,567	19,548	32,115	-	15,222	27,510	42,732
Dispatchers wages	-	-	-	-	16,783	-	-	16,783	16,783	-	-	16,783
Fringe benefits	4,902	2,319	5,857	13,078	21,216	9,611	22,934	53,761	26,118	11,930	28,791	66,839
Pension DC	-	-	1,925	1,925	-	-	7,762	7,762	-	-	9,687	9,687
Services:												
Advertising	-	-	143	143	-	-	-	-	-	-	143	143
Audit costs	-	-	-	-	-	-	3,900	3,900	-	-	3,900	3,900
Other	1,175	851	483	2,509	1,812	807	1,908	4,527	2,987	1,658	2,391	7,036
Materials and supplies:												
Fuel and lubricants	4,262	-	-	4,262	17,168	-	-	17,168	21,430	-	-	21,430
Tires and tubes	103	-	-	103	98	-	-	98	201	-	-	201
Major Supplies	-	-	-	-	925	319	-	1,244	925	319	-	1,244
Other	-	1,074	-	1,074	522	613	1,753	2,888	522	1,687	1,753	3,962
Utilities	-	-	1,218	1,218	-	-	6,425	6,425	-	-	7,643	7,643
Insurance	-	-	-	-	-	2,173	-	2,173	-	2,173	-	2,173
Operating lease and rentals	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense:												
Printing and publishing	-	-	-	-	-	-	101	101	-	-	101	101
Dues & Subscriptions	-	-	-	-	-	-	1,050	1,050	-	-	1,050	1,050
RTAP	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	174	174	-	-	174	174
Depreciation	-	-	-	-	-	20,830	-	20,830	-	20,830	-	20,830
	<u>28,949</u>	<u>6,899</u>	<u>17,588</u>	<u>53,436</u>	<u>116,269</u>	<u>46,920</u>	<u>78,103</u>	<u>241,292</u>	<u>145,218</u>	<u>53,819</u>	<u>95,691</u>	<u>294,728</u>
Less:												
Ineligible expenses - dues	-	-	-	-	-	-	129	129	-	-	129	129
Ineligible expenses - refunds	-	-	-	-	-	-	-	-	-	-	-	-
Ineligible expenses - pension	-	-	-	-	-	-	-	-	-	-	-	-
Ineligible expenses - RTAP	-	-	-	-	-	-	1,530	1,530	-	-	1,530	1,530
Depreciation	-	-	-	-	-	20,830	-	20,830	-	20,830	-	20,830
	<u>\$ 28,949</u>	<u>\$ 6,899</u>	<u>\$ 17,588</u>	<u>\$ 53,436</u>	<u>\$ 116,269</u>	<u>\$ 26,090</u>	<u>\$ 76,444</u>	<u>\$ 218,803</u>	<u>\$ 145,218</u>	<u>\$ 32,989</u>	<u>\$ 94,032</u>	<u>\$ 272,239</u>

Total expenses in the amount of \$294,728 are less than total operating expenses on page 24 by \$74,206. Of this amount, adjustments were made to the general ledger after the filing of the quarterly OAR reports. The adjustments included \$970 in fringe benefits, \$61 in utilities, and (\$221) in office supplies. These adjustments will be reflected in the OAR reconciliation report. The remaining difference is due to depreciation expense of \$65,120 and GASB 68 expense of \$8,278 recorded in general ledger and not reported in the quarterly OAR reports above and \$2 in rounding.

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
OPERATING EXPENSES
Reporting period October 1, 2019 through September 30, 2020

	10/01/19 through 06/30/20				07/01/20 through 09/30/20				Total			
	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total
Labor:												
Wages - operations	\$ 71,340	\$ -	\$ -	\$ 21,434	\$ 2,131	\$ 1,186	\$ 24,751	\$ 100,198	\$ 17,540	\$ 10,747	\$ 24,751	\$ 53,038
Other salaries and wages	(9,474)	-	(9,474)	-	-	-	-	-	(9,474)	-	(9,474)	(18,948)
Dispatchers wages	-	-	13,407	-	-	-	-	13,407	-	-	13,407	13,407
Fringe benefits	7,282	5,563	42,235	7,290	1,644	611	9,545	36,680	8,926	6,174	51,780	66,880
Pension DC	-	697	2,496	870	-	276	1,146	2,669	-	973	3,642	4,615
Services:												
Advertising	-	608	608	-	-	-	-	-	-	608	608	1,216
Audit costs	-	-	3,152	3,152	-	-	-	-	-	3,152	3,152	6,304
Other	-	-	1,879	215	-	195	410	1,616	-	673	2,289	2,962
Materials and supplies:												
Fuel and lubricants	-	-	-	5,010	-	-	5,010	26,806	-	-	5,010	5,010
Tires and tubes	-	-	-	100	-	-	100	1,590	-	-	100	100
Major Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,184	6,427	8,509	-	955	124	1,079	1,184	7,382	1,022	9,588	17,992
Utilities	-	7,373	7,373	-	-	2,134	2,134	-	-	9,507	9,507	19,014
Insurance	-	-	-	-	-	-	-	-	2,047	-	-	2,047
Operating lease and rentals	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense:												
Travel	-	537	537	-	-	-	-	-	-	537	537	1,074
Dues & Subscriptions	-	-	700	-	-	-	-	-	-	700	700	1,400
RTAP	-	-	2,244	-	-	-	-	-	-	2,244	2,244	4,488
Other	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
	<u>70,332</u>	<u>21,205</u>	<u>73,666</u>	<u>34,919</u>	<u>4,730</u>	<u>4,526</u>	<u>44,175</u>	<u>184,150</u>	<u>26,421</u>	<u>36,337</u>	<u>117,841</u>	<u>180,599</u>
Less:												
Ineligible expenses - pension	-	-	-	-	-	-	-	-	-	-	-	-
Ineligible expenses - RTAP	-	-	2,244	-	-	-	-	-	-	2,244	2,244	4,488
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 70,332</u>	<u>\$ 21,205</u>	<u>\$ 71,422</u>	<u>\$ 34,919</u>	<u>\$ 4,730</u>	<u>\$ 4,526</u>	<u>\$ 44,175</u>	<u>\$ 184,150</u>	<u>\$ 26,421</u>	<u>\$ 34,093</u>	<u>\$ 115,597</u>	<u>\$ 176,111</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANT
Year Ended June 30, 2021

<u>NON URBAN AREAS</u>	<u>07/01/20 through 09/30/20</u>	<u>10/01/20 through 06/30/21</u>	<u>Total</u>
STATE OF MICHIGAN			
Total Eligible Expenses	\$ 53,436	\$ 218,803	<u>\$ 272,239</u>
Reimbursement Rate %	<u>42.0509 %</u>	<u>37.5350 %</u>	
Eligible operating assistance*	<u>\$ 22,470</u>	<u>\$ 82,128</u>	<u>\$ 104,598</u>
FEDERAL SECTION 5311			
Total Eligible Expenses	\$ 53,436	\$ 218,803	<u>\$ 272,239</u>
Reimbursement Rate %	<u>18.0000 %</u>	<u>18.0000 %</u>	
Eligible operating assistance	<u>\$ 9,618</u>	<u>\$ 39,385</u>	<u>\$ 49,003</u>

CITY OF HANCOCK
TRANSIT FUND
MDOT-PASSENGER TRANSPORTATION DIVISION
MILEAGE DATA REPORT (UNAUDITED)
Year Ended June 30, 2021

<u>Quarter Ending</u>	<u>Miles</u>
September 30, 2020	11,443
December 31, 2020	11,620
March 31, 2021	13,613
June 30, 2021	<u>14,488</u>
Total Miles	<u><u>51,164</u></u>

**CITY OF HANCOCK
FEDERAL AWARDS PROGRAMS
JUNE 30, 2021**

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund information of City of Hancock (the City) as of and for the year then ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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 questioned costs as items 2021-001.

Purpose of this Report

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

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

December 27, 2021

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hancock's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Hancock's major federal programs for the year ended June 30, 2021. The City of Hancock's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hancock's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hancock's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Hancock is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hancock's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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

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

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

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

December 27, 2021

CITY OF HANCOCK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

FEDERAL GRANTOR/PASS THROUGH/PROGRAM TITLE	CFDA #	Award/Project #	Award Amount	Accrued/ (Payable) 7/1/2020	Prior Year Expenses	Current Year Receipts	Current Year Expenditures	Accrued/ (Payable) 6/30/2021
US DEPARTMENT OF TRANSPORTATION								
Pass-through Michigan Department of Transportation								
Highway Planning and Construction Cluster								
Federal Aid Highway Program								
	20.205	204843/CV0047676	\$ 2,001	\$ 15,172	\$ 753,528	\$ 17,173	\$ 2,001	\$ -
Federal Transit Administration - Operating Assistance - Section 5311								
	20.509	211489NI/212593NI/212089NI	148,427	-	-	148,427	148,427	-
Total US Department of Transportation								
			150,428	15,172	753,528	165,600	150,428	-
DEPARTMENT OF HOMELAND SECURITY								
Passed Through Michigan State Police:								
Disaster Grants -- Public Assistance								
	97.036	PA-05-MI-4381	1,774,857	(120,757)	765,151	187,708	517,475	209,010
US DEPARTMENT OF TREASURY								
Passed Through the Office of the State of Michigan Department of								
Treasury COVID-19 Coronavirus relief fund								
First Responder Hazard Pay Premiums Program (FRHPPP)								
	21.019	SLT040 & SLT0247	9,000	-	-	9,000	9,000	-
Coronavirus relief Local Government Grants (CRLGG)								
	21.019	SLT0040	25,518	-	-	25,518	25,518	-
Public Safety & Public Health Payroll Reimbursement Program (PSPHPR)								
	21.019	SLT040 & SLT0247	90,026	-	-	90,026	90,026	-
Total US Department of Treasury								
			124,544	-	-	124,544	124,544	-
US DEPARTMENT OF AGRICULTURE								
Community Facilities Grant								
	10.766		50,000	-	-	50,000	50,000	-
Community Facilities Grant								
	10.766		25,200	-	-	25,200	25,200	-
Total US Department of Agriculture								
			75,200	-	-	75,200	75,200	-
TOTAL FEDERAL AWARDS								
			\$ 2,125,029	\$ (105,585)	\$ 1,518,679	\$ 553,052	\$ 867,647	\$ 209,010

CITY OF HANCOCK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

NOTE A - OVERSIGHT AGENCY

The Department of Homeland Security 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.

NOTE C -- FEDERAL AWARDS FINANCIAL STATEMENT RECONCILIATION

Governmental Funds (Page 21)	\$ 503,173
Less FEMA unearned revenue recognized in current year with no related expenses due to closing of small projects with expenses being less than awarded amount	(9,825)
Less FEMA revenue recorded in current year due to closing of small projects with expenses being less than awarded amount or due to reclassifications of prior year expenses	(33,922)
Plus FEMA revenue recorded as a receivable in prior year and reversed in current year because expenses were rejected	3,674
Enterprise Funds (Page 24)	406,892
FHWA revenue received in current year for prior year expense not recorded as accounts receivable in prior year because it wasn't known that it would be reimbursable due to project going over award amount	(1,680)
Less revenue recognized in current year for prior year expenses due to reclassifications	(665)
Total expenditures of federal awards	<u>\$ 867,647</u>

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	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:	Unmodified
Any audit findings disclosed that are required to be reported in with Title 2 CFR Section 200.516(a)?	No
Name of Federal Program:	<u>CFDA Number</u>
U.S. Department of Homeland Security - Disaster Grants Highway Planning and Construction (Federal-Aid Highway Program)	97.036
Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

INSTANCES OF NON-COMPLIANCE

2021-001 - BUDGET

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City of Hancock has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2021, the City of Hancock incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

CITY OF HANCOCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the year ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

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

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

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

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

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

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hancock for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 19, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Hancock are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the City of Hancock during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Management's estimate of the lives of capital assets:

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

Management's estimate of the net pension liability:

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 27, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

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

December 27, 2021

**CITY OF HANCOCK
COMMENTS AND RECOMMENDATIONS - June 30, 2021**

In planning and performing our audit of the financial statements of City of Hancock as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

ADDITIONAL COMMENTS AND RECOMMENDATIONS

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

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

REQUIRED RESERVE ACCOUNTS

As of June 30, 2021, there was a shortage of funds to meet the reserve requirements of the Water Fund in the amount of \$15,277 on the 2011 A and 2011 B Water Supply System Revenue Bond and \$39,225 on the 2016A and 2016B Water Supply System Revenue Bond on page 53. The City needs to deposit additional funds into the required accounts and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.