

**CITY OF HANCOCK**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2017**

**CITY OF HANCOCK**

**June 30, 2017**

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**ADMINISTRATION**

City Manager..... Glenn Anderson  
Clerk/Treasurer..... Mary Babcock

**BOARD MEMBERS**

Mayor..... Lisa McKenzie  
Mayor Pro-Tem..... Ted Belej  
Ward I..... Ron Blau  
Ward II..... Dan Seguin  
Ward III..... Paul LaBine  
  
At Large..... Joe Bauman  
At Large..... John Haeussler  
At Large..... Ted Belej

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# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2017, 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.

## **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 7 through 15 and 58 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 and individual nonmajor fund financial statements 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, individual major, and nonmajor fund financial statements 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 and individual nonmajor fund financial statements 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 73 and 75 has been derived from the City's 2016 audit report dated December 29, 2016 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 22, 2017 on our consideration of the City'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's internal control over financial reporting and compliance.

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

December 22, 2017

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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This section of City of Hancock's annual financial report presents management's discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2017. 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 of the City of Hancock exceeded its liabilities at year end by \$15,573,832 (net position).
- The City of Hancock's total net position increased by \$6,040,542.
- The City of Hancock had charges for services of \$1,827,508 in governmental activities and \$2,143,084 for business-type activities and \$9,066,473 and \$2,717,821 in expenses for governmental and business-type activities respectively during the year ended June 30, 2017.
- At the close of the fiscal year, the City of Hancock's business-type activities funds reported a combined ending net position balance of \$7,048,900. This is an increase of \$4,480,893.
- At the end of the current fiscal year, the fund balance for the general fund was \$105,353. General fund operating transfers to other funds were \$35,000 in 2017 compared to \$83,737 in the prior year, a decrease of \$42,006.

**Overview of the Financial Statements**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- The City implemented GASB No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27. This statement changed how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. Reflected on these statements is the liability for the unfunded liability for the active and retired members of the MERS Defined Benefit Program.

*Statement of Net Position and the Statement of Activities*

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

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

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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

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

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

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

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

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

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

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

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

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

**CITY OF HANCOCK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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

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

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

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

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

**Summary of Net Position**

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Assets				
Current Assets	\$ 1,148,657	\$ 1,192,331	\$ 1,719,995	\$ 982,208
Capital assets - net	9,573,583	4,694,741	19,049,526	16,734,802
Total assets	<u>10,722,240</u>	<u>5,887,072</u>	<u>20,769,521</u>	<u>17,717,010</u>
Deferred outflows of resources - pension	511,678	444,210	82,684	75,058
Liabilities				
Current liabilities	293,034	106,385	684,665	1,053,396
Noncurrent liabilities	3,820,755	3,655,558	11,633,109	9,773,165
Total liabilities	<u>4,113,789</u>	<u>3,761,943</u>	<u>12,317,774</u>	<u>10,826,561</u>
Deferred inflows of resources - pension	293,034	106,385	9,499	224
Net position				
Net investment in capital assets	7,278,866	2,597,124	7,690,526	7,166,802
Restricted:				
Streets and highways	76,594	132,779	-	-
CDBG	10,575	51,656	-	-
TIFA	-	6,894	-	-
Cemetery	180,173	180,163	-	-
Capital projects	42,641	42,576	-	-
Program projects	20,342	20,312	-	-
Debt service	1,328	1,325	400,135	-
Unrestricted	(561,619)	(464,822)	434,271	(201,519)
Total net position	<u>\$ 7,048,900</u>	<u>\$ 2,568,007</u>	<u>\$ 8,524,932</u>	<u>\$ 6,965,283</u>

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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

	<b>Results of Operations</b>			
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program Revenue:				
Charges for services	\$ 1,827,508	\$ 1,879,701	\$ 2,143,084	\$ 1,960,324
Operating grants and contributions	191,097	-	359,027	109,689
Capital grants and contributions	8,271,732	1,064,336	1,824,880	124,756
General Revenue:				
Property taxes	1,584,705	1,593,546	-	-
State shared revenue	1,313,358	1,236,558	-	-
Other	305,565	313,296	3,880	2,734
Transfers	53,401	-	-	60,000
Total revenues	<u>13,547,366</u>	<u>6,087,437</u>	<u>4,330,871</u>	<u>2,257,503</u>
Functions/program expenses				
General government	1,830,448	704,962	-	-
Public safety	906,642	872,077	-	-
Public works	5,474,364	2,582,755	2,717,821	2,866,115
Sanitation	221,983	323,699	-	-
Recreation	258,562	201,203	-	-
Community and economic development	231,883	236,039	-	-
Interest on long-term debt	77,832	108,800	-	-
Other	64,759	81,654	-	-
Transfers	-	60,000	53,401	-
Total expenses	<u>9,066,473</u>	<u>5,171,189</u>	<u>2,771,222</u>	<u>2,866,115</u>
Change in net position	4,480,893	916,248	1,559,649	(608,612)
Net position - Beginning	<u>2,568,007</u>	<u>1,651,759</u>	<u>6,965,283</u>	<u>7,573,895</u>
Net position - Ending	<u>\$ 7,048,900</u>	<u>\$ 2,568,007</u>	<u>\$ 8,524,932</u>	<u>\$ 6,965,283</u>

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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

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

	<u>2017</u>	<u>% of total</u>	<u>2016</u>	<u>% of total</u>
<b>Revenues</b>				
Charges for services	\$ 1,827,508	13.6 %	\$ 1,879,701	32.6 %
Property taxes	1,584,705	11.7 %	1,593,546	27.6 %
State shared revenue	1,313,358	9.7 %	1,236,558	21.4 %
Grants and contributions	8,462,829	62.5 %	1,064,336	18.4 %
Other revenues	305,565	2.3 %	-	- %
Transfers in	53,401	0.4 %	-	- %
<b>Total revenues</b>	<u><u>\$ 13,547,366</u></u>	<u><u>100.2 %</u></u>	<u><u>\$ 5,774,141</u></u>	<u><u>100.0 %</u></u>
<b>Expenditures</b>				
General government	\$ 1,830,448	20.1 %	\$ 704,962	13.5 %
Public safety	906,642	10.0 %	872,077	16.9 %
Public works	5,474,364	60.4 %	2,582,755	49.9 %
Sanitation	221,983	2.4 %	323,699	6.3 %
Recreation and culture	258,562	2.9 %	201,203	3.9 %
Community development	231,883	2.6 %	236,039	4.6 %
Interest expense	77,832	0.9 %	108,800	2.1 %
Other	64,759	0.7 %	81,654	1.6 %
Transfers out	-	- %	60,000	1.2 %
<b>Total expenditures</b>	<u><u>\$ 9,066,473</u></u>	<u><u>100.0 %</u></u>	<u><u>\$ 5,171,189</u></u>	<u><u>100.0 %</u></u>

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

	<u>2017</u>	<u>% of total</u>	<u>2016</u>	<u>% of total</u>
<b>Revenues</b>				
Charges for services	\$ 2,143,084	50.0	\$ 1,960,324	86.8
Grants and contributions	2,183,907	51.1	234,445	10.4
Other	3,880	0.1	2,734	0.1
Transfers	(53,401)	(1.2)	60,000	2.7
<b>Total revenues</b>	<u><u>\$ 4,277,470</u></u>	<u><u>100.0</u></u>	<u><u>\$ 2,257,503</u></u>	<u><u>100.0</u></u>
<b>Expenditures</b>				
Water	\$ 1,265,741	46.6	\$ 1,366,950	47.7
Sewer	1,182,749	43.5	1,227,052	42.8
Parking Meter	3,349	0.1	6,546	0.2
Transit	265,982	9.8	265,567	9.3
<b>Total expenditures</b>	<u><u>\$ 2,717,821</u></u>	<u><u>100.0</u></u>	<u><u>\$ 2,866,115</u></u>	<u><u>100.0</u></u>

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

**Significant Transactions and Changes in Individual Funds**

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
General Fund			
Revenues/Transfers/Other	\$ 2,747,768	\$ 2,723,887	\$ 23,881
Expenditures/Transfers/Other	\$ 2,801,191	\$ 2,765,893	\$ 35,298
Fund Balance	\$ 105,353	\$ 158,776	\$ (53,423)

The General Fund saw an increase in revenues of \$23,881 and an increase in expenditures of \$35,298. The increase in revenues was mainly due to the combination of increases in taxes and loan proceeds and decreases in state sources, other revenue, federal sources, charges for services and proceeds on sale. The increase in expenditures is mainly due to the combination of increases in general government, public safety, recreation and culture, and other and decreases in public works, sanitation, community development and debt service.

SPECIAL REVENUE FUNDS	<u>2017</u>	<u>2016</u>	<u>Change</u>
Major Street Fund			
Revenues/Transfers/Other	\$ 4,190,244	\$ 1,404,181	\$ 2,786,063
Expenditures/Transfers/Other	\$ 4,229,753	\$ 1,302,858	\$ 2,926,895
Fund Balance	\$ 38,077	\$ 77,586	\$ (39,509)
Local Street Fund			
Revenues/Transfers/Other	\$ 299,273	\$ 280,738	\$ 18,535
Expenditures/Transfers/Other	\$ 291,435	\$ 231,819	\$ 59,616
Fund Balance	\$ 56,757	\$ 48,919	\$ 7,838
CDBG Fund			
Revenues/Transfers/Other	\$ 230,538	\$ 70,902	\$ 159,636
Expenditures/Transfers/Other	\$ 231,883	\$ 70,902	\$ 160,981
Fund Balance	\$ 1,392	\$ 2,737	\$ (1,345)
Elevation Street TIF Fund			
Revenues/Transfers/Other	\$ 3	\$ 33,572	\$ (33,569)
Expenditures/Transfers/Other	\$ 16,941	\$ 27,158	\$ (10,217)
Fund Balance	\$ (10,044)	\$ 6,894	\$ (16,938)

Major Street Fund - The increase in revenue is due to increases in state and federal revenue grants received. Expenditures increased due to increases in expenditures related to state and federal grants.

Local Street Fund - The increase in revenues is mainly due to an increase in state sources. The increase in expenses is mainly due to an increase in construction and snow and ice control.

CDBG - The CDBG fund had an increase in revenues and expenses from grants and homeowner's grant match activity.

Elevation Street - Decrease in revenues is due to the tax capture period ending. Decrease in expenditures is due to fewer expenses in all areas due to the ending of the tax capture period.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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

ENTERPRISE FUNDS	2017	2016	Change
<b>Parking Meter Fund</b>			
Revenues/Transfers/Other	8,760	\$ 8,435	325
Expenditures/Transfers/Other	3,349	\$ 6,546	(3,197)
Fund Balance	28,356	\$ 22,945	5,411
<b>Transit Fund</b>			
Revenues/Transfers/Other	267,668	\$ 219,978	47,690
Expenditures/Transfers/Other	265,982	\$ 265,567	415
Fund Balance	633,844	\$ 632,158	1,686
<b>Sewer Fund</b>			
Revenues/Transfers/Other	1,182,126	\$ 1,014,093	168,033
Expenditures/Transfers/Other	1,182,749	\$ 1,227,052	(44,303)
Fund Balance	2,578,551	\$ 2,600,426	(21,875)
<b>Water Fund</b>			
Revenues/Transfers/Other	2,882,371	\$ 1,014,997	1,867,374
Expenditures/Transfers/Other	1,265,741	\$ 1,366,950	(101,209)
Fund Balance	5,284,181	\$ 3,709,754	1,574,427

Parking Meter Fund - The Parking Meter Fund showed no significant variances in revenues or expenditures.

Transit Fund - The Transit Fund revenues increased mainly due to additional grant revenue received for the purchase of a transit bus. Expenses increased mainly due to an increase in operating transfers out.

Sewer Fund - The Sewer Fund's revenues increased due to a combination of an increase in state sources and a decrease in charges for services. Expenses decreased due to a combination of increases in purchased services and operations and maintenance.

Water Fund - The Water Fund's revenues/transfers increased due to increases in charges for services and state sources. Expenses decreased mainly due to a decrease in purchased services.

DEBT SERVICE (BUILDING AUTHORITY)	2017	2016	Change
Revenues/Transfers/Other	\$ 124,376	\$ 163,447	\$ (39,071)
Expenditures/Transfers/Other	\$ 124,373	\$ 163,441	\$ (39,068)
Fund Balance	\$ 1,328	\$ 1,325	\$ 3

Debt Service Fund - The Debt Service Fund revenues and expenditures decreased due to the refinancing of bonds in the prior year, resulting in a reduction in principal and interest payments and a decrease in money received in the form of rent from the General Fund to cover the loan payments.

CAPITAL PROJECTS (SYLVAN ESTATES)	2017	2016	Change
Revenues/Transfers/Other	\$ 30	\$ 33	\$ (3)
Expenditures/Transfers/Other	\$ -	\$ -	\$ -
Fund Balance	\$ 20,342	\$ 20,312	\$ 30

Capital Projects Fund - The Capital Projects Fund showed no significant variances in revenues or expenditures.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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

**INTERNAL SERVICE FUNDS**

Employee Benefits Fund - Revenue increased due to an increase in transfers in from other funds. Expenses decreased mainly due to a combination of a decrease in payroll taxes and longevity pay and increases in sick pay/personal leave expense, vacation pay, and workers' compensation insurance, retirement plan expense, and hospitalization insurance.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 1,004,674	\$ 988,299	\$ 16,375
Expenditures/Transfers/Other	\$ 921,735	\$ 937,413	\$ (15,678)
Fund Balance	\$ 173,766	\$ 90,827	\$ 82,939

Motor Vehicle Fund - Revenue increased due to higher charges to other city funds and an increase on revenue received for the sale of assets.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 537,912	\$ 482,446	\$ 55,466
Expenditures/Transfers/Other	\$ 553,358	\$ 553,835	\$ (477)
Fund Balance	\$ 96,028	\$ 111,474	\$ (15,446)

**General Fund Budgetary Highlights**

During the year ended June 30, 2017, there were one budget amendment.

**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 \$16,560.

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 \$105,353. 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 4% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$53,423 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 \$8,524,932.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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**Capital Assets and Debt Administration**

The City's net capital assets for the governmental and business-type activities as of June 30, 2017, amounts to \$28,623,109. Capital asset additions totaling \$8,236,544 includes road improvements, vehicles, and water and sewer improvements.

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

Long-term Debt – At the end of the current fiscal year, the City had total debt of \$13,680,846.

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

**Request for Information**

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

**CITY OF HANCOCK**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 580,354	\$ 390,831	\$ 971,185	\$ 1,955
Restricted cash	233,693	400,135	633,828	-
Receivables	30,390	193,234	223,624	20,000
Inventories	73,116	89,230	162,346	-
Prepaid expenses	40,125	1,672	41,797	-
Due from fiduciary funds	5,362	-	5,362	-
Due from other funds	89,908	(89,908)	-	-
Due from government units	95,709	734,801	830,510	-
Capital assets - net	9,573,583	19,049,526	28,623,109	114,288
<b>Total assets</b>	<b>10,722,240</b>	<b>20,769,521</b>	<b>31,491,761</b>	<b>136,243</b>
Deferred outflows of resources - pension	511,678	82,684	594,362	3,776
<b>Liabilities</b>				
Accounts payable and accrued expense	293,034	684,665	977,699	54,765
Due to other governmental units	2,674	-	2,674	-
Bonds payable, due in one year	130,000	256,000	386,000	-
Note payable, due in one year	133,905	-	133,905	-
Unamortized premium on the issuance of bonds	27,129	-	27,129	-
Bonds payable, due in more than one year	1,382,000	11,103,000	12,485,000	-
Note payable, due in more than one year	648,812	-	648,812	-
Net pension liability	1,293,627	216,445	1,510,072	10,284
Accrued benefits	202,608	57,664	260,272	936
<b>Total liabilities</b>	<b>4,113,789</b>	<b>12,317,774</b>	<b>16,431,563</b>	<b>65,985</b>
Deferred inflows of resources - pension	71,229	9,499	80,728	257
<b>Net position</b>				
Net investment in capital assets	7,278,866	7,690,526	14,969,392	-
Restricted				
Streets and highways	76,594	-	76,594	-
CDBG	10,575	-	10,575	-
Cemetery	180,173	-	180,173	-
Main Street	42,641	-	42,641	-
Capital projects	20,342	-	20,342	-
Debt service	1,328	400,135	401,463	-
Unassigned	(561,619)	434,271	(127,348)	73,777
<b>Total net position</b>	<b>\$ 7,048,900</b>	<b>\$ 8,524,932</b>	<b>\$ 15,573,832</b>	<b>\$ 73,777</b>

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

**CITY OF HANCOCK**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

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	\$ 1,830,448	\$ 916,201	\$ -	\$ -	\$ (914,247)	\$ -	\$ (914,247)	\$ -
Public safety	906,642	2,905	-	-	(903,737)	-	(903,737)	-
Public works	5,474,364	518,104	-	8,251,192	3,294,932	-	3,294,932	-
Sanitation	221,983	150,306	-	-	(71,677)	-	(71,677)	-
Recreation and culture	258,562	102,410	-	-	(156,152)	-	(156,152)	-
Community and economic development	231,883	-	191,097	20,540	(20,246)	-	(20,246)	-
Interest on long-term debt	77,832	-	-	-	(77,832)	-	(77,832)	-
Other	64,759	137,582	-	-	72,823	-	72,823	343
Total governmental activities	<u>9,066,473</u>	<u>1,827,508</u>	<u>191,097</u>	<u>8,271,732</u>	<u>1,223,864</u>	<u>-</u>	<u>1,223,864</u>	<u>343</u>
Business-type activities:								
Water	1,265,741	1,128,036	-	1,751,549	-	1,613,844	1,613,844	-
Sewer	1,182,749	962,706	218,367	-	-	(1,676)	(1,676)	-
Parking Meter	3,349	8,735	-	-	-	5,386	5,386	-
Transit	265,982	43,607	140,660	73,331	-	(8,384)	(8,384)	-
Total business-type activities	<u>2,717,821</u>	<u>2,143,084</u>	<u>359,027</u>	<u>1,824,880</u>	<u>-</u>	<u>1,609,170</u>	<u>1,609,170</u>	<u>-</u>
Total primary government	<u>\$ 11,784,294</u>	<u>\$ 3,970,592</u>	<u>\$ 550,124</u>	<u>\$ 10,096,612</u>	<u>1,223,864</u>	<u>1,609,170</u>	<u>2,833,034</u>	<u>-</u>
Component Unit	<u>\$ 1,464,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 990,477</u>	<u>-</u>	<u>-</u>	<u>(474,069)</u>	<u>(474,069)</u>
General revenues:								
Property taxes, levied for general operations					1,584,705	-	1,584,705	254,711
State shared revenue					1,313,358	-	1,313,358	-
Interest income and investment earnings					5,036	2,153	7,189	350
Operating transfers in (out)					53,401	(53,401)	-	-
Gain (loss) on sale of assets					18,820	-	18,820	-
Other revenues					281,709	1,727	283,436	733
Total general revenues, transfers, and special items					<u>3,257,029</u>	<u>(49,521)</u>	<u>3,207,508</u>	<u>255,794</u>
Change in net position					4,480,893	1,559,649	6,040,542	(218,618)
Net position - Beginning of year					<u>2,568,007</u>	<u>6,965,283</u>	<u>9,533,290</u>	<u>292,395</u>
Net position - End of year					<u>\$ 7,048,900</u>	<u>\$ 8,524,932</u>	<u>\$ 15,573,832</u>	<u>\$ 73,777</u>

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

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2017**

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 262,048	\$ 60,638	\$ 44,858	\$ 367,544
Restricted cash	42,641	-	182,893	225,534
Taxes receivable	4,482	-	-	4,482
Accounts receivable	25,835	-	-	25,835
Due from other funds	1,000	-	-	1,000
Due from fiduciary funds	5,362	-	-	5,362
Due from government units	16,453	53,693	25,563	95,709
Inventories	11,030	24,290	7,351	42,671
Prepaid expenses	25,078	-	-	25,078
<b>Total assets</b>	<b><u>\$ 393,929</u></b>	<b><u>\$ 138,621</u></b>	<b><u>\$ 260,665</u></b>	<b><u>\$ 793,215</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 3,234	\$ 568	\$ -	\$ 3,802
Accrued expenses	247,668	1,880	596	250,144
Due to other governmental units	2,674	-	-	2,674
Due to other funds	35,000	98,096	10,121	143,217
<b>Total liabilities</b>	<b><u>288,576</u></b>	<b><u>100,544</u></b>	<b><u>10,717</u></b>	<b><u>399,837</u></b>
<b>Fund balances</b>				
Nonspendable:				
Inventories	11,030	24,290	7,351	42,671
Prepays	25,078	-	-	25,078
Restricted:				
Streets and highways	-	13,787	56,757	63,193
CDBG	-	-	1,392	1,392
TIFA	-	-	-	-
Cemetery	-	-	180,173	180,173
Capital projects	-	-	20,342	20,342
Debt service	-	-	1,328	1,328
Assigned:				
Main Street	42,641	-	-	42,641
Unassigned	26,604	-	(10,044)	16,560
<b>Total fund balances</b>	<b><u>105,353</u></b>	<b><u>38,077</u></b>	<b><u>249,948</u></b>	<b><u>393,378</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 393,929</u></b>	<b><u>\$ 138,621</u></b>	<b><u>\$ 260,665</u></b>	<b><u>\$ 793,215</u></b>

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

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION (Continued)**  
**June 30, 2017**

Fund Balance Reported in Governmental Funds	\$ 393,378
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	9,305,507
Net pension liability	(1,293,627)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	440,449
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.	286,589
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,083,396)</u>
Net position of governmental activities	<u>\$ 7,048,900</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 BALANCES TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
Revenues				
Property taxes	\$ 1,469,956	\$ -	\$ 114,749	\$ 1,584,705
State sources	520,243	1,269,087	184,215	1,973,545
Federal sources	-	2,884,577	191,097	3,075,674
Charges for services	393,203	-	-	393,203
Interest income	4,088	164	694	4,946
Other revenues	79,542	36,416	164,045	280,003
Total revenues	<u>2,467,032</u>	<u>4,190,244</u>	<u>654,800</u>	<u>7,312,076</u>
Expenditures				
General government	561,408	33,865	48,359	643,632
Public safety	1,266,825	-	-	1,266,825
Public works	313,323	4,195,888	491,900	5,001,111
Sanitation	223,610	-	-	223,610
Recreation and culture	258,562	-	-	258,562
Community development	-	-	-	-
Debt service	70,448	-	-	70,448
Other	72,015	-	124,943	196,958
Total expenditures	<u>2,766,191</u>	<u>4,229,753</u>	<u>665,202</u>	<u>7,661,146</u>
Excess (deficiency) of revenues over expenditures	<u>(299,159)</u>	<u>(39,509)</u>	<u>(10,402)</u>	<u>(349,070)</u>
Other financing sources (uses)				
Proceeds from the sale of long-term notes/loans	280,000	-	-	280,000
Increase/(decrease) in fair value	736	-	-	736
Operating transfers in (out)	(35,000)	-	-	(35,000)
Total other financing sources (uses)	<u>245,736</u>	<u>-</u>	<u>-</u>	<u>245,736</u>
Net change in fund balances	(53,423)	(39,509)	(10,402)	(103,334)
Fund balances - Beginning of year	<u>158,776</u>	<u>77,586</u>	<u>260,350</u>	<u>496,712</u>
Fund balances - End of year	<u>\$ 105,353</u>	<u>\$ 38,077</u>	<u>\$ 249,948</u>	<u>\$ 393,378</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**  
**Year Ended June 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (103,334)

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	4,794,111
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.	(141,921)
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	(97,418)
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.	2,467
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	(42,321)
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>69,309</u>
Change in net position of governmental activities	<u>\$ 4,480,893</u>

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

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

	Business-Type Activities Enterprise Funds					Governmental Activities
	Major Funds		Non-Major Funds			Internal Service Fund
	Sewer Fund	Water Fund	Transit fund	Parking Meter Fund	Total	
<b>Assets</b>						
Cash and cash equivalents	\$ 263,432	\$ 97,415	\$ 1,623	\$ 28,361	\$ 390,831	\$ 212,810
Restricted cash	115,959	284,176	-	-	400,135	8,159
Accounts receivable	101,680	91,554	-	-	193,234	73
Inventories	30,330	58,900	-	-	89,230	30,445
Due from other funds	-	-	-	-	-	232,125
Due from government units	176,552	558,249	-	-	734,801	-
Prepaid expenses	-	-	1,672	-	1,672	15,047
Capital assets - net	<u>3,953,001</u>	<u>14,385,418</u>	<u>711,107</u>	<u>-</u>	<u>19,049,526</u>	<u>268,076</u>
<b>Total assets</b>	<u>4,640,954</u>	<u>15,475,712</u>	<u>714,402</u>	<u>28,361</u>	<u>20,859,429</u>	<u>766,735</u>
Deferred outflows of resources - pension	26,843	28,353	27,488	-	82,684	9,869
<b>Liabilities</b>						
Accounts payable	97,439	546,528	121	-	644,088	10,929
Accrued expenses	19,364	63,655	15,217	5	98,241	12,840
Due to other funds	-	72,146	17,762	-	89,908	-
Current maturities on long-term debt	35,000	221,000	-	-	256,000	81,997
Net pension liability	70,448	74,349	71,648	-	216,445	25,335
Bonds/note payable	<u>1,864,000</u>	<u>9,239,000</u>	<u>-</u>	<u>-</u>	<u>11,103,000</u>	<u>374,380</u>
<b>Total liabilities</b>	<u>2,086,251</u>	<u>10,216,678</u>	<u>104,748</u>	<u>5</u>	<u>12,407,682</u>	<u>505,481</u>
Deferred inflows of resources - pension	2,995	3,206	3,298	-	9,499	1,329
<b>Net Position</b>						
Reserved	115,959	284,176	-	-	400,135	8,159
Unreserved	<u>2,462,592</u>	<u>5,000,005</u>	<u>633,844</u>	<u>28,356</u>	<u>8,124,797</u>	<u>261,635</u>
<b>Total net position</b>	<u>\$ 2,578,551</u>	<u>\$ 5,284,181</u>	<u>\$ 633,844</u>	<u>\$ 28,356</u>	<u>\$ 8,524,932</u>	<u>\$ 269,794</u>

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

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2017**

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Major Funds		Non-major Fund			Internal Service Fund
	Sewer Fund	Water Fund	Transit fund	Parking Meter Fund		
Operating revenues:						
Charges for services	\$ 962,706	\$ 1,128,036	\$ 43,607	\$ 8,735	\$ 2,143,084	\$ 1,434,305
State sources	218,367	-	119,412	-	337,779	-
Federal sources	-	1,751,549	94,579	-	1,846,128	-
Other revenues	50	1,677	-	-	1,727	970
Total operating revenues	<u>1,181,123</u>	<u>2,881,262</u>	<u>257,598</u>	<u>8,735</u>	<u>4,328,718</u>	<u>1,435,275</u>
Operating expenses						
General administration	37,104	60,564	74,465	3,349	175,482	929,659
Meter reading	10,172	13,815	-	-	23,987	-
Purchased services	598,994	209,328	-	-	808,322	-
Operations and maintenance	303,127	349,254	156,348	-	808,729	457,463
Depreciation	190,317	417,075	35,169	-	642,561	72,864
Total operating expenses	<u>1,139,714</u>	<u>1,050,036</u>	<u>265,982</u>	<u>3,349</u>	<u>2,459,081</u>	<u>1,459,986</u>
Operating income (loss)	<u>41,409</u>	<u>1,831,226</u>	<u>(8,384)</u>	<u>5,386</u>	<u>1,869,637</u>	<u>(24,711)</u>
Non-operating revenues (expenses)						
Gain on sale of assets	-	-	-	-	-	18,820
Interest income	1,003	1,109	16	25	2,153	90
Interest expense	(43,035)	(215,705)	-	-	(258,740)	(15,107)
Operating transfers in (out)	(21,252)	(42,203)	10,054	-	(53,401)	88,401
Total non-operating revenues (expenses)	<u>(63,284)</u>	<u>(256,799)</u>	<u>10,070</u>	<u>25</u>	<u>(309,988)</u>	<u>92,204</u>
Net income (loss)	(21,875)	1,574,427	1,686	5,411	1,559,649	67,493
Net position (deficit), beginning of the year	<u>2,600,426</u>	<u>3,709,754</u>	<u>632,158</u>	<u>22,945</u>	<u>6,965,283</u>	<u>202,301</u>
Net position (deficit), end of year	<u>\$ 2,578,551</u>	<u>\$ 5,284,181</u>	<u>\$ 633,844</u>	<u>\$ 28,356</u>	<u>\$ 8,524,932</u>	<u>\$ 269,794</u>

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

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2017**

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 4,287,479	\$ 1,433,126	\$ 5,720,605
Payments to suppliers	(3,314,971)	(1,356,806)	(4,671,777)
Payments to employees	540,687	(183,340)	357,347
Net cash provided by operating activities	<u>1,513,195</u>	<u>(107,020)</u>	<u>1,406,175</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	(44,565)	316,551	271,986
Cash flows from capital and related financing activities			
Purchases of capital assets	(2,957,286)	(157,595)	(3,114,881)
Principal paid on capital debt	(251,000)	(60,820)	(311,820)
Interest paid on capital debt	(258,740)	(15,107)	(273,847)
Loan proceeds	2,042,000	145,595	2,187,595
Proceeds on sale of assets	-	18,820	18,820
Net cash (used) by capital and related financing activities	<u>(1,425,026)</u>	<u>(69,107)</u>	<u>(1,494,133)</u>
Cash flows from investing activities			
Interest and dividends	2,153	90	2,243
Net (decrease) in cash	45,757	140,514	186,271
Balances - beginning of the year	745,209	80,455	825,664
Balances - end of the year	<u>\$ 790,966</u>	<u>\$ 220,969</u>	<u>\$ 1,011,935</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,869,637	\$ (24,711)	\$ 1,894,348
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	642,561	72,864	715,425
Change in assets and liabilities			
Receivables, net	(27,576)	-	(27,576)
Due from other governmental units	(704,902)	(73)	(704,975)
Deferred outflows and inflows	1,649	75	1,724
Inventory	15,848	(1,257)	14,591
Prepaid expenses	15,764	23,230	38,994
Net pension liability	11,280	1,741	13,021
Accounts and other payables	(356,135)	4,451	(351,684)
Accrued expenses	45,069	(183,340)	(138,271)
Net cash provided by operating activities	<u>\$ 1,513,195</u>	<u>\$ (107,020)</u>	<u>\$ 1,406,175</u>

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

**CITY OF HANCOCK**  
**FIDUCIARY FUNDS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**June 30, 2017**

	<u>Agency Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,362	\$ 247	\$ 5,609
Total Assets	<u>\$ 5,362</u>	<u>\$ 247</u>	<u>\$ 5,609</u>
Liabilities			
Accounts payable	\$ -	\$ 247	\$ 247
Due to other governmental funds	5,362	-	5,362
Total Liabilities	<u>\$ 5,362</u>	<u>\$ 247</u>	<u>\$ 5,609</u>

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

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

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

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

**REPORTING ENTITY**

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

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

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

***HANCOCK HOUSING COMMISSION***

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

Audited financial information of the Hancock Housing Commission as of and for the year ended December 31, 2016 is as follows:

Total Assets	\$ 690,338
Total Liabilities	\$ 141,700
Deferred inflows of resources	\$ 12,349
Total Net Position	\$ 536,289
Total Revenues	\$ 794,673
Total Expenses	\$ 716,770
Net Operating Income	\$ 29,709

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

A summary of the Authority's financial information for the year ended June 30, 2017 (most recent year audited) shows the following:

Total Assets	\$ 13,195,758
Total Liabilities	\$ 4,905,758
Total Net Position	\$ 8,290,000
Total Revenues	\$ 2,273,496
Total Expenses	\$ 2,009,030
Long-Term Debt	\$ 4,403,489

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 Clerks Office, 399 Quincy Street, Hancock, MI 49930.

BLENDED COMPONENT UNITS

City of Hancock Building Authority

The Authority is an entity legally separate from the City. The Authority is governed by a board appointed by the City and is reported as if it were part of the City's operations because its primary purpose is 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, 2017**

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

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

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

The City does not allocate indirect costs.

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

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

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

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

The City reports the following major governmental funds:

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

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

Other non-major funds include: Local Street Fund, Community Block Development Grant (CDBG), Elevation Street TIFA, Debt Service (Building Authority), Capital Project - Sylvan Estates, 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 Water Fund, Sewer Fund, Parking Meter Fund, and Transit Fund are enterprise type funds.

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

The City reports the following major proprietary funds:

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

**FIDUCIARY FUND TYPES**

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

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

**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, 2017**

**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 lienied 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	13.3731
General	Fire - extra voted	.7777

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, 2017**

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**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, 2017**

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**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, 2017, 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, 2017**

**NOTE C - CASH AND INVESTMENTS**

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	\$ 580,354	\$ 390,831	\$ 971,185	\$ 1,955	\$ -
Restricted cash	233,693	400,135	633,828	-	5,609
Total cash	<u>\$ 814,047</u>	<u>\$ 790,966</u>	<u>\$ 1,605,013</u>	<u>\$ 1,955</u>	<u>\$ 5,609</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, 2017, \$861,016 of the City’s bank balance of \$1,740,373 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.

**NOTE D - TRANSFERS AND INTERFUND BALANCES**

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

Fund	Transfer In	Fund	Transfer Out
Transit fund	\$ 35,000	General fund	\$ 35,000
Employee benefit fund	88,401	Sewer fund	21,252
		Water fund	42,203
		Transit fund	24,946
Total	<u>\$ 123,401</u>	Total	<u>\$ 123,401</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE D - TRANSFERS AND INTERFUND BALANCES (Continued)**

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, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 6,362	General Fund	\$ 35,000
Employee Benefits	106,271	Major Street	98,096
Motor Vehicle Fund	125,854	Transit fund	17,762
		Water Fund	72,146
		Elevation Street TIF	10,121
		Agency Fund	5,362
Total	<u>\$ 238,487</u>	Total	<u>\$ 238,487</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.

**NOTE E - RECEIVABLES**

The detail of receivables at June 30, 2017 are as follows:

<u>Receivables</u>	<u>Governmental</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts receivable	\$ 25,908	\$ 193,234	\$ 219,142
Taxes receivable	4,482	-	4,482
Total receivables	<u>\$ 30,390</u>	<u>\$ 193,234</u>	<u>\$ 223,624</u>

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE F - CAPITAL ASSETS**

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

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated				
Land	\$ 427,670	\$ -	\$ -	\$ 427,670
Capital assets, being depreciated				
Buildings	2,715,738	\$ 6,400	\$ -	2,722,138
Equipment	1,178,945	28,113	16,561	1,190,497
Improvements	3,933,188	4,726,968	-	8,660,156
Vehicles	2,561,431	517,778	255,495	2,823,714
Subtotal	<u>10,389,302</u>	<u>\$ 5,279,259</u>	<u>\$ 272,056</u>	<u>15,396,505</u>
Accumulated depreciation				
Building	1,355,216	\$ 63,484	\$ -	1,418,700
Equipment	1,067,035	17,319	16,561	1,067,793
Improvements	1,540,285	166,857	-	1,707,142
Vehicles	2,159,695	152,757	255,495	2,056,957
Subtotal	<u>6,122,231</u>	<u>\$ 400,417</u>	<u>\$ 272,056</u>	<u>6,250,592</u>
Net capital assets being depreciated	<u>4,267,071</u>			<u>9,145,913</u>
Net capital assets	<u>\$ 4,694,741</u>			<u>\$ 9,573,583</u>

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

General Fund	\$ 198,272
Building Authority	24,663
Major Streets Fund	86,725
Local Streets Fund	17,893
Motor Vehicle Fund	72,864
	<u>\$ 400,417</u>

The components of property, plant, and equipment in City proprietary funds at June 30, 2017 are summarized as follows:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
TRANSIT FUND				
Capital assets, being depreciated				
Buildings	\$ 716,473	\$ -	\$ -	\$ 716,473
Equipment	43,120	-	-	43,120
Vehicles	336,800	73,331	-	410,131
Subtotal	<u>1,096,393</u>	<u>\$ 73,331</u>	<u>\$ -</u>	<u>1,169,724</u>
Accumulated depreciation:				
Buildings	94,037	\$ 17,911	\$ -	111,948
Equipment	35,529	4,338	-	39,867
Vehicles	293,882	12,920	-	306,802
Subtotal	<u>423,448</u>	<u>\$ 35,169</u>	<u>\$ -</u>	<u>458,617</u>
Net capital assets	<u>\$ 672,945</u>			<u>\$ 711,107</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
<b>SEWER DISPOSAL FUND</b>				
Capital assets, being depreciated				
Buildings	\$ 754,725	\$ -	\$ -	\$ 754,725
Vehicles	-	7,500	-	7,500
Utility system	9,181,311	-	-	9,181,311
Subtotal	<u>9,936,036</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>9,943,536</u>
Accumulated depreciation:				
Buildings	745,291	\$ 9,435	\$ -	754,726
Vehicles	-	180,382	-	180,382
Utility system	5,054,927	500	-	5,055,427
Subtotal	<u>5,800,218</u>	<u>\$ 190,317</u>	<u>\$ -</u>	<u>5,990,535</u>
Net capital assets	<u>\$ 4,135,818</u>			<u>\$ 3,953,001</u>
<b>WATER SUPPLY FUND</b>				
Capital assets, not being depreciated				
Construction in progress	\$ 914,766	<u>\$ 2,868,954</u>	<u>\$ -</u>	<u>\$ 3,783,720</u>
Capital assets, being depreciated				
Buildings	1,645,692	\$ -	\$ -	1,645,692
Equipment	13,383	-	-	13,383
Vehicles	-	7,500	-	7,500
Land	73,500	-	-	73,500
Loan fees/lease	238,496	-	-	238,496
Utility system	14,794,021	-	-	14,794,021
Subtotal	<u>16,765,092</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>16,772,592</u>
Accumulated depreciation:				
Buildings	1,645,692	\$ -	\$ -	1,645,692
Equipment	13,381	-	-	13,381
Vehicles	-	500	-	500
Loan fees/lease	186,555	5,190	-	191,745
Utility system	3,908,191	411,385	-	4,319,576
Subtotal	<u>5,753,819</u>	<u>\$ 417,075</u>	<u>\$ -</u>	<u>6,170,894</u>
Net capital assets	<u>\$ 11,926,039</u>			<u>\$ 14,385,418</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE G - 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	\$ 42,641	CDBG	\$ 1,392	Water Fund	\$ 115,959
		Debt Retirement	\$ 1,328	Sewer Fund	\$ 284,176
		Employee Benefits	\$ 8,159		
		Cemetery Perpetual	\$ 180,173		

General Fund: Main Street Local Pool: In 1981, funds of a CDBG were used to establish an interest free revolving commercial loan program to assist local businesses who have exhausted other means of obtaining credit. The \$42,641 represents the balance of the commercial loan program. As of June 30, 2017, there were no outstanding loan balances.

Enterprise Funds: Certain proceeds from operations are restricted for the payment of revenue and general obligation bonds and, accordingly, are recorded as restricted assets in the amount of \$400,135 as of June 30, 2017. Use of these restricted assets are limited by applicable bond indentures and ordinances.

Internal Service Funds: The Employee Benefit Fund has restricted assets of \$8,159 as of June 30, 2017.

The Cemetery Perpetual Care Trust balance of \$180,173 is reserved for the perpetual care of cemetery lots.

**NOTE H - PAYABLES**

Accounts payable and accrued liabilities as of June 30, 2017, for the District’s governmental funds individual major funds and non-major funds in the aggregate, are as follows:

Payables	Governmental	Enterprise	Total
Accounts payable	\$ 14,731	\$ 644,088	\$ 658,819
Accrued expenses	278,303	40,577	318,880
Total	<u>\$ 293,034</u>	<u>\$ 684,665</u>	<u>\$ 977,699</u>

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

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

Accumulated unpaid vacation and sick leave at June 30, 2017 was \$72,580 and \$188,630 respectively

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE J - LONG TERM DEBT**

GOVERNMENTAL ACTIVITIES

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$ 37,110	\$ 6,972	\$ 44,082
2018-2019	38,034	6,048	44,082
2019-2020	38,981	5,101	44,082
2020-2021	39,952	4,130	44,082
2021-2022	40,946	3,136	44,082
2022-2023	41,966	2,116	44,082
2023-2024	43,011	1,071	44,082
	<u>\$ 280,000</u>	<u>\$ 28,574</u>	<u>\$ 308,574</u>

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 \$2,467 .

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$ 25,000	\$ 8,515	\$ 33,515
2018-2019	30,000	8,015	38,015
2019-2020	25,000	7,115	32,115
2020-2021	25,000	6,365	31,365
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
	<u>\$ 285,000</u>	<u>\$ 52,705</u>	<u>\$ 337,705</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

*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>
2017-2018	\$ 45,000	\$ 18,453	\$ 63,453
2018-2019	45,000	17,552	62,552
2019-2020	50,000	16,202	66,202
2020-2021	50,000	14,703	64,703
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>\$ 595,000</u>	<u>\$ 128,019</u>	<u>\$ 723,019</u>

*Refund 2005 Notes:* The bond issue matures as indicated below with interest at varying rates 2% to 3% 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>
2017-2018	\$ 45,000	\$ 3,600	\$ 48,600
2018-2019	45,000	2,700	47,700
2020-2021	45,000	1,350	46,350
	<u>\$ 135,000</u>	<u>\$ 7,650</u>	<u>\$ 142,650</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>
2017-2018	\$ 12,000	\$ 16,954	\$ 28,954
2018-2019	13,000	16,459	29,459
2020-2021	14,000	15,923	29,923
2021-2022	14,000	15,345	29,345
2022-2023	15,000	14,768	29,768
2023-2024	15,000	14,149	29,149
2024-2025	16,000	13,530	29,530
2025-2026	17,000	12,870	29,870
2026-2027	17,000	12,169	29,169
2027-2028	18,000	11,468	29,468
2028-2029	19,000	10,725	29,725
2029-2030	20,000	9,941	29,941
2030-2031	21,000	9,116	30,116
2031-2032	22,000	8,250	30,250
2032-2037	121,000	27,225	148,225
2037-2038	57,000	3,546	60,546
	<u>\$ 411,000</u>	<u>\$ 212,438</u>	<u>\$ 623,438</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE J - 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>
2017-2018	\$ 3,000	\$ 3,870	\$ 6,870
2018-2019	3,000	3,735	6,735
2019-2020	3,000	3,600	6,600
2020-2021	3,000	3,465	6,465
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>\$ 86,000</u>	<u>\$ 48,330</u>	<u>\$ 134,330</u>

Superior National Bank: On June 1, 2012 the City of Hancock authorized the purchase of land with financing through Superior National Bank in the amount of \$135,000. The loan has an interest rate of 4.00% per annum with principal amounts and interest payable June 1 for the first Sixty (60) months. The rate was adjusted on June 1, 2015 from 4% to an interest rate equal to prime rate plus seventy-five hundredths percent (.75%) for the remaining sixty (60) months and the payment amount will be adjusted to the interest rate.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$ 14,796	\$ 1,847	\$ 16,643
2018-2019	15,388	1,255	16,643
2019-2020	16,156	640	16,796
	<u>\$ 46,340</u>	<u>\$ 3,742</u>	<u>\$ 50,082</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

ENTERPRISE FUNDS

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

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 21,000	\$ 29,164	\$ 50,164
2018-2019	21,000	28,612	49,612
2019-2020	22,000	28,061	50,061
2020-2021	22,000	27,484	49,484
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
	\$ 1,111,000	\$ 580,962	\$ 1,691,962

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE J - 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>
2017-2018	\$ 66,000	\$ 80,323	\$ 146,323
2018-2019	67,000	78,755	145,755
2019-2020	69,000	77,164	146,164
2020-2021	71,000	75,525	146,525
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>\$ 3,382,000</u>	<u>\$ 1,586,427</u>	<u>\$ 4,968,427</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>
2017-2018	\$ 35,000	\$ 49,389	\$ 84,389
2018-2019	36,000	48,458	84,458
2019-2020	37,000	47,500	84,500
2020-2021	38,000	46,515	84,515
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>\$ 1,899,000</u>	<u>\$ 972,002</u>	<u>\$ 2,871,002</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE J - 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>
2017-2018	\$ 100,000	\$ 73,375	\$ 173,375
2018-2019	105,000	70,875	175,875
2019-2020	105,000	68,250	173,250
2020-2021	110,000	65,625	175,625
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>\$ 2,935,000</u>	<u>\$ 917,625</u>	<u>\$ 3,852,625</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 2.125% 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>
2017-2018	\$ 33,000	\$ 34,300	\$ 67,300
2018-2019	33,000	33,723	66,723
2019-2020	34,000	33,145	67,145
2020-2021	35,000	32,550	67,550
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>\$ 1,960,000</u>	<u>\$ 776,755</u>	<u>\$ 2,736,755</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE J - 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 2.125% 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>
2017-2018	\$ 1,000	\$ 1,260	\$ 2,260
2018-2019	1,000	1,242	2,242
2019-2020	1,000	1,225	2,225
2020-2021	1,000	1,207	2,207
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>\$ 72,000</u>	<u>\$ 30,030</u>	<u>\$ 102,030</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>
2017 Western Star Sander/Scraper	12/15/16	\$ 145,595	12/15/23	2.49 %	\$ 145,595	\$ 19,296
2013 Caterpillar Loader	1/21/14	\$ 160,000	1/21/19	2.24 %	66,782	32,701
2011 Snow Blower	3/2/10	\$ 91,000	2/1/19	4.00 %	31,000	10,000
2011 Sander	4/20/11	\$ 187,000	10/1/26	4.13 %	90,000	8,000
2011 Grader	4/20/11	\$ 130,000	4/1/26	4.00 %	123,000	12,000
Total					<u>\$ 456,377</u>	<u>\$ 81,997</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

Long-term debt liabilities for governmental activities, are reported in and liquidated through all funds for the fiscal year ended June 30, 2017, was as follows:

	Balance July 01, 2016	Increase	Decrease	Balance June 30, 2017	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
Superior National Bank - Fire truck	\$ -	\$ 280,000	\$ -	\$ 280,000	\$ 37,110
2015 Refunding Bond:					
Fire Hall	305,000	-	20,000	285,000	25,000
Public Works Garage	640,000	-	45,000	595,000	45,000
Fire Truck	180,000	-	45,000	135,000	45,000
Superior National Bank - Land	60,419	-	14,079	46,340	14,798
2008A Building Authority Bonds	423,000	-	12,000	411,000	12,000
2008B Building Authority Bonds	88,000	-	2,000	86,000	3,000
Premium on bond	29,596	-	2,467	27,129	-
	<u>1,726,015</u>	<u>280,000</u>	<u>140,546</u>	<u>1,865,469</u>	<u>181,908</u>
<b>ENTERPRISE FUNDS</b>					
2010 Sanitary Sewage Disposal Bonds	1,933,000	-	34,000	1,899,000	35,000
2011A Water Supply System Bonds	1,131,000	-	20,000	1,111,000	21,000
2011B Water Supply System Bonds	3,446,000	-	64,000	3,382,000	66,000
2016A Water Revenue Bond	1,000	1,991,000	32,000	1,960,000	33,000
2016B Water Revenue Bond	22,000	51,000	1,000	72,000	1,000
2008 Water Supply System Bond	3,035,000	-	100,000	2,935,000	100,000
	<u>9,568,000</u>	<u>2,042,000</u>	<u>251,000</u>	<u>11,359,000</u>	<u>256,000</u>
<b>INTERNAL SERVICE FUND</b>					
Installment Loans	371,602	145,595	60,820	456,377	81,997
<b>TOTALS</b>	<u>\$ 11,665,617</u>	<u>\$ 4,509,595</u>	<u>\$ 452,366</u>	<u>\$ 13,680,846</u>	<u>\$ 519,905</u>
Accrued compensated absences	<u>\$ 347,893</u>	<u>\$ -</u>	<u>\$ 86,685</u>	<u>\$ 261,208</u>	

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE J - 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
2017-2018	\$ 181,906	\$ 60,211	\$ 242,117
2018-2019	189,422	55,764	245,186
2019-2020	192,137	49,931	242,068
2020-2021	131,952	44,008	175,960
2021-2022	133,946	40,502	174,448
2022-2023	144,966	36,928	181,894
2023-2024	147,011	32,706	179,717
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>\$ 1,838,340</u>	<u>\$ 481,458</u>	<u>\$ 2,319,798</u>

INTERNAL SERVICE FUNDS			
Fiscal Year	Principal	Interest	Total
2017-2018	\$ 81,998	\$ 15,289	\$ 97,287
2018-2019	84,358	12,886	97,244
2019-2020	52,269	9,995	62,264
2020-2021	43,274	8,660	51,934
2021-2022	44,791	7,251	52,042
2022-2023	46,322	5,789	52,111
2023-2024	48,365	4,273	52,638
2024-2025	27,000	2,683	29,683
2025-2026	28,000	2,104	30,104
	<u>\$ 456,377</u>	<u>\$ 68,930</u>	<u>\$ 525,307</u>

ENTERPRISE FUNDS			
Fiscal Year	Principal	Interest	Total
2017-2018	\$ 256,000	\$ 267,811	\$ 523,811
2018-2019	263,000	261,665	524,665
2019-2020	268,000	255,345	523,345
2020-2021	277,000	248,906	525,906
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>\$ 11,359,000</u>	<u>\$ 4,863,801</u>	<u>\$ 16,222,801</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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**NOTE K - PENSION PLAN**

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

Retirement benefits for employees are calculated as two percent of the employee’s five-year final average compensation times the employee’s years of service. Normal retirement age is 60 with early retirement at a reduced benefit at age 50 with 25 years of service or at age 55 with 15 years of service. Deferred retirement benefits vest after 8 years of service and member contributions are 3.3% of payroll.

Employees covered by benefit terms - At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>12</u>
Total employees covered by MERS	<u>18</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 16.06% of annual payroll.

Net Pension Liability - The City's Net Pension Liability reported as of June 30, 2017 was measured as of December 31, 2016 and was determined by an annual actuarial valuation as of that date.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/15	\$ 3,623,456	\$ 2,209,525	\$ 1,413,931
Service cost	60,533	-	60,533
Interest on total pension liability	288,232	-	288,232
Changes in benefits	-	-	-
Difference between expected and actual experience	146,857	-	146,857
Changes in assumptions	-	-	-
Employer contributions	-	113,009	(113,009)
Employee contributions	-	25,626	(25,626)
Net investment income	-	255,606	(255,606)
Benefit payments, including employee refunds	(101,645)	(101,645)	-
Administrative expense	-	(5,042)	5,042
Other changes	2	-	2
Net changes	393,979	287,554	106,425
Balances as of 12/31/16	\$ 4,017,435	\$ 2,497,079	\$ 1,520,356

Actuarial assumptions - The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%	
Salary increases	3.75%	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	7.75%	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.

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

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, 2016, the measurement date, for each major asset class summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global equity	57.5%	5.0%
Global fixed income	20.0%	2.2%
Real assets	12.5%	4.2%
Diversifying strategies	10.0%	6.6%

Discount rate - The discount rate used to measure the total pension liability is 8.0% for 2016. 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 8.0%, as well as what the City’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease 7.0%	Current Discount Rate 8.0%	1% Increase 9.0%
Net pension liability of the City	\$ 2,005,392	\$ 1,520,356	\$ 1,110,777

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

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, 2017 the City recognized pension expense of \$232,300. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences in experience	\$ 146,857	\$ 1,372
Differences in assumptions	200,381	-
Excess (deficit) investment returns	198,866	79,613
Contributions subsequent to the measurement date	52,034	-
Total	<u>\$ 598,138</u>	<u>\$ 80,985</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, 2018.

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>
2018	\$ 82,542
2019	82,542
2020	82,542
2021	74,695
2022	30,864
Thereafter	111,933
	<u>\$ 465,119</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE L -ENTERPRISE FUNDS - SEGMENT INFORMATION**

The City maintains four Enterprise Funds which provide water, sewer, transit and parking meter services. Segment information for the year ended June 30, 2017 is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Transit</u>	<u>Parking Meter</u>
Operating revenues	\$ 1,181,123	\$ 2,881,262	\$ 257,598	\$ 8,735
Depreciation	\$ 190,317	\$ 417,075	\$ 35,169	\$ -
Income (loss) from operations	\$ 41,409	\$ 1,831,226	\$ (8,384)	\$ 5,386
Non-operating revenues (expenses)	\$ (63,284)	\$ (256,799)	\$ 10,070	\$ 25
Net income (loss)	\$ (21,875)	\$ 1,574,427	\$ 1,686	\$ 5,411
Property, plant & equipment additions	\$ 7,500	\$ 2,876,454	\$ 73,331	\$ -
Total assets	\$ 4,640,954	\$ 15,475,712	\$ 714,402	\$ 28,361
Net working capital surplus (deficit)	\$ 536,150	\$ 186,965	\$ (29,805)	\$ 28,356
Long-term liabilities:				
Payable from operating revenues	\$ 1,934,448	\$ 9,313,349	\$ 71,648	\$ -
Net investment in capital assets	\$ 3,953,001	\$ 14,385,418	\$ 711,107	\$ -
Reserved net position	\$ 115,959	\$ 284,176	\$ -	\$ -
Unreserved net position	\$ 2,462,592	\$ 5,000,005	\$ 633,844	\$ 28,356
Total net position	\$ 2,578,551	\$ 5,284,181	\$ 633,844	\$ 28,356
Net cash provided (used) by:				
Operating activities	\$ 96,371	\$ 1,366,598	\$ 44,569	\$ 5,657
Noncapital financing activities	\$ (24,672)	\$ (47,645)	\$ 27,816	\$ (64)
Capital & related financing activities	\$ (84,535)	\$ (1,267,160)	\$ (73,331)	\$ -
Investing activities	\$ (11,833)	\$ 52,902	\$ (930)	\$ 5,618
Beginning cash	\$ 391,224	\$ 328,689	\$ 2,553	\$ 22,743
Ending cash	\$ 379,391	\$ 381,591	\$ 1,623	\$ 28,361

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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**NOTE M - 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.

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

2016A and 2016B Water Supply System Revenue Bonds

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

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

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

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

*Sewer Fund*

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

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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

At June 30, 2017, the City had established these accounts and had restricted cash, as required, as follows:

	<u>Required</u>	<u>Amount Funded</u>
<u>Water Fund</u>		
<u>2011A and 2011B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 118,140	\$ 118,140
Repair and Replacement Account	60,072	60,072
Bond and Interest Redemption Account	48,372	48,372
	<u>\$ 226,584</u>	<u>\$ 226,584</u>
<u>2016A and 2016B Water Supply System Revenue Bonds</u>		
Bond Reserve Account	\$ 7,800	\$ 7,800
Repair and Replacement Account	32,402	32,402
Bond and Interest Redemption Account	17,390	17,390
	<u>\$ 57,592</u>	<u>\$ 57,592</u>
<u>Sewer Fund</u>		
Bond Reserve Account	\$ 53,400	\$ 53,400
Repair and Replacement Account	41,576	41,576
Bond and Interest Redemption Account	20,983	20,983
	<u>\$ 115,959</u>	<u>\$ 115,959</u>

**NOTE N - 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 \$232,300. Of this amount \$4,993 was expensed on the books of the Transit Fund and reported on line 50220 DB Pensions. The Transit Fund paid \$4,324, therefore, \$669 (\$4,933 less the amount paid) is subtracted out under 58020 Ineligible DB Pension.
- 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 73 through 77.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

**NOTE O - TAX INCREMENT FINANCING**

The City had three tax increment financing districts at June 30, 2017, the Downtown Development District (DDD), the Elevation Street City(ESD), and the MTEPS (Smart Zone) City. The taxes on the DDD and the ESD City's are levied based on the increase of the state equalized value of the properties from the base year to the current year and are levied on both real and personal property. The DDD expanded the base year in 1993 from the 1984 initial base year. The tax revenues generated from the DDD and the ESD are recorded in the Downtown Development Authority Fund and Elevation Street TIFA Fund respectively.

On April 11, 2001, The Michigan Economic Development Corporation approved the application for a Smart Park that was submitted by the Michigan Tech Enterprise Smart Zone (MTEPS). The MTEPS is a partnership between Michigan Technological University, the City of Hancock and the City of Houghton. The MTEPS was funded for the first 2 years by a state grant. Thereafter, it is funded through a tax increment financing City which includes the entire Cities of Hancock and Houghton. The tax is levied annually with the school millage only and will continue until the year 2017. The Smart Zone TIF plan will not affect either City's current tax revenue. The tax revenue levied for the summer 2016 Smart Zone was collected and paid in full to the MTEPS as of June 30, 2017, via the Local Development Finance Authority – the financing entity. Summary of TIF City data as of June 30, 2017:

	<u>DDD</u>	<u>MTEPS</u>
	1984	1999
Base year		
State Equalized Value (SEV) base year		
Real Property	9,797,000	48,229,352
Personal Property	-	2,803,591
Current year SEV		
Real Property	20,268,653	106,405,726
Personal Property	-	6,704,375
Increase (Decrease) of taxable value		
Real Property	10,488,953	58,176,374
Personal Property	-	3,900,784
Authorized tax mills levied - Homestead	21	3
Non-homestead	-	12
Tax revenue collected	216,036	491,317

**NOTE P - 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, 2017, The Portage Lake Water and Sewage Authority owed the City \$79,172, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due from other governmental units.

**NOTE Q - 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.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

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**NOTE Q - RISK MANAGEMENT (Continued)**

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, 2017 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 R – DEFICIT FUND BALANCES**

At June 30, 2017 the Elevation Street TIF Fund had a deficit fund balance of \$10,044.

**NOTE S - SUBSEQUENT EVENTS**

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

- On July 19, 2017 the City signed a grant agreement with the Department of Natural Resources for \$294,000 with payments being made on a reimbursement basis and requiring a 26% match from the City. The grant proceeds are to be used for a project which includes the construction of a recreational pier, kayak launch, ADA accessible paths and parking, and native landscaping.
- On September 17, 2017 the City signed a grant agreement with the Michigan Department of Transportation for \$74,131 to purchase a transit bus.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HANCOCK**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Property taxes	\$ 1,504,485	\$ 1,499,968	\$ 1,469,956	\$ (30,012)
Licenses & permits	289	105	125	20
State sources	497,639	493,176	520,243	27,067
Charges for services	409,692	367,469	393,203	25,734
Interest income	1,555	1,535	4,088	2,553
Other revenues	60,767	81,576	79,417	(2,159)
Total revenues	<u>2,474,427</u>	<u>2,443,829</u>	<u>2,467,032</u>	<u>23,203</u>
Expenditures				
General government				
Council	13,943	19,214	23,422	(4,208)
City manager	94,356	79,567	75,077	4,490
Clerk	80,695	79,526	82,888	(3,362)
Treasurer	61,426	62,301	65,656	(3,355)
Accounting	39,019	34,900	33,417	1,483
Assessor	83,893	105,250	104,884	366
Planning	23,142	35,787	35,665	122
Elections	6,118	14,517	14,448	69
Building and grounds	65,039	68,714	65,505	3,209
Cemetery	38,829	42,246	60,446	(18,200)
Public safety	873,345	984,116	1,266,825	(282,709)
Public works	261,270	356,800	313,323	43,477
Recreation and culture	172,558	214,483	258,562	(44,079)
Sanitation	319,328	210,430	223,610	(13,180)
Debt service	69,310	77,080	70,448	6,632
Other	63,846	58,103	72,015	(13,912)
Total expenditures	<u>2,266,117</u>	<u>2,443,034</u>	<u>2,766,191</u>	<u>(323,157)</u>
Excess (deficiency) of revenues over expenditures	208,310	795	(299,159)	(299,954)
Other financing sources (uses)				
Increase/(decrease) in fair value	-	-	736	736
Proceeds from the sale of long-term notes/loans	-	-	280,000	280,000
Operating transfers in (out)	(206,364)	-	(35,000)	(35,000)
Total other financing sources (uses)	<u>(206,364)</u>	<u>-</u>	<u>245,736</u>	<u>244,264</u>
Net change in fund balances	<u>\$ 1,946</u>	<u>\$ 795</u>	(53,423)	<u>\$ (55,690)</u>
Fund balances - Beginning of year			<u>158,776</u>	
Fund balances - End of year			<u>\$ 105,353</u>	

**CITY OF HANCOCK**  
**MAJOR STREET FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
State sources	\$ 667,235	\$ 601,645	\$ 1,269,087	\$ 667,442
Federal sources	-	-	2,884,577	2,884,577
Interest income	1,156	100	164	64
Other revenues	-	37,234	36,416	(818)
Total revenues	<u>668,391</u>	<u>638,979</u>	<u>4,190,244</u>	<u>3,551,265</u>
Expenditures				
General administration	20,039	31,469	33,865	(2,396)
Highways and streets:				
Construction	19,769	18,510	3,549,001	(3,530,491)
State trunkline maintenance	375,599	268,281	323,381	(55,100)
Routine maintenance	43,062	114,490	121,139	(6,649)
Traffic services	4,953	14,173	19,108	(4,935)
Snow and ice control	201,761	155,370	179,237	(23,867)
Sweeping and flushing	2,527	3,817	4,022	(205)
Total expenditures	<u>667,710</u>	<u>606,110</u>	<u>4,229,753</u>	<u>(3,623,643)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 681</u>	<u>\$ 32,869</u>	(39,509)	<u>\$ (72,378)</u>
Fund balances - Beginning of year			<u>77,586</u>	
Fund balances - End of year			<u>\$ 155,172</u>	

**CITY OF HANCOCK**  
**SCHEDULE OF CHANGES IN THE CITY NET**  
**PENSION LIABILITY AND RATIOS**  
**Year Ended June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 60,533	\$ 64,222	\$ 51,865
Interest	288,232	259,977	240,815
Difference between expected and actual experience	146,857	(1,568)	-
Changes in assumptions	-	229,010	-
Benefit payments, including refunds	(101,645)	(94,628)	(38,562)
Other changes	<u>2</u>	<u>-</u>	<u>1</u>
Net change in total pension liability	393,979	457,013	254,119
Total pension liability - beginning of year	<u>3,623,456</u>	<u>3,166,443</u>	<u>2,912,324</u>
Total pension liability - end of year	4,017,435	3,623,456	3,166,443
 Plan fiduciary net position			
Contributions - employer	113,009	82,780	73,738
Contributions - employee	25,626	22,463	21,525
Net investment income	255,606	(34,273)	132,353
Administrative expenses	(5,042)	(4,966)	(4,894)
Benefit payments, including refunds	<u>(101,645)</u>	<u>(94,628)</u>	<u>(38,562)</u>
Net change in plan fiduciary net position	287,554	(28,624)	184,160
Plan fiduciary net position - beginning of year	<u>2,209,525</u>	<u>2,238,149</u>	<u>2,053,989</u>
Plan fiduciary net position - end of year	2,497,079	2,209,525	2,238,149
 City's net pension liability - ending	<u>\$ 1,520,356</u>	<u>\$ 1,413,931</u>	<u>\$ 928,294</u>
 Plan fiduciary net position as a percent of total pension	62.16 %	60.98 %	70.68 %
Covered employee payroll	\$ 618,951	\$ 696,554	\$ 562,531
City's net pension liability as a percent of covered employee	245.63 %	202.99 %	165.02 %

**CITY OF HANCOCK**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Year Ended June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 113,009	\$ 82,780	\$ 73,741
Contributions in relation to the actuarially determined contributions	<u>113,009</u>	<u>82,780</u>	<u>73,741</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 618,951	\$ 696,554	\$ 562,531
Contributions as a percentage of covered-employee payroll	18 %	12 %	13 %

**CITY OF HANCOCK**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2017**

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5 years smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	7.75%
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, 2017**

	<u>Local Street</u>	<u>CDBG</u>	<u>Elevation Street TIF</u>	<u>Building Authority</u>	<u>Sylvan Estates</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 24,439	\$ -	\$ 77	\$ -	\$ 20,342	\$ -	\$ 44,858
Restricted cash	-	1,392	-	1,328	-	180,173	182,893
Due from government units	25,563	-	-	-	-	-	25,563
Inventories	7,351	-	-	-	-	-	7,351
<b>Total assets</b>	<b><u>\$ 57,353</u></b>	<b><u>\$ 1,392</u></b>	<b><u>\$ 77</u></b>	<b><u>\$ 1,328</u></b>	<b><u>\$ 20,342</u></b>	<b><u>\$ 180,173</u></b>	<b><u>\$ 260,665</u></b>
<b>Liabilities</b>							
Accrued expenses	\$ 596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 596
Due to other funds	-	-	10,121	-	-	-	10,121
<b>Total liabilities</b>	<b><u>596</u></b>	<b><u>-</u></b>	<b><u>10,121</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>10,717</u></b>
<b>Fund balances</b>							
Restricted	56,757	1,392	-	1,328	20,342	180,173	259,992
Unassigned	-	-	(10,044)	-	-	-	(10,044)
<b>Total fund balances</b>	<b><u>56,757</u></b>	<b><u>1,392</u></b>	<b><u>(10,044)</u></b>	<b><u>1,328</u></b>	<b><u>20,342</u></b>	<b><u>180,173</u></b>	<b><u>249,948</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 57,353</u></b>	<b><u>\$ 1,392</u></b>	<b><u>\$ 77</u></b>	<b><u>\$ 1,328</u></b>	<b><u>\$ 20,342</u></b>	<b><u>\$ 180,173</u></b>	<b><u>\$ 260,665</u></b>

**CITY OF HANCOCK**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2017**

	<u>Local Street</u>	<u>CDBG</u>	<u>Elevation Street TIF</u>	<u>Building Authority</u>	<u>Sylvan Estates</u>	<u>Cemetery Perpetual</u>	<u>Total</u>
Revenues							
Property taxes	\$ 114,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,749
State sources	184,215	-	-	-	-	-	184,215
Federal sources	-	191,097	-	-	-	-	191,097
Interest income	78	-	3	3	30	580	694
Miscellaneous income	231	39,441	-	-	-	-	39,672
Rentals	-	-	-	124,373	-	-	124,373
Total revenues	<u>299,273</u>	<u>230,538</u>	<u>3</u>	<u>124,376</u>	<u>30</u>	<u>580</u>	<u>654,800</u>
Expenditures							
General administration	6,849	41,510	-	-	-	-	48,359
Public works	284,586	190,373	16,941	-	-	-	491,900
Highways and streets:							
Other	-	-	-	124,373	-	570	124,943
Total expenditures	<u>291,435</u>	<u>231,883</u>	<u>16,941</u>	<u>124,373</u>	<u>-</u>	<u>570</u>	<u>665,202</u>
Excess (deficiency) of revenues over expenditures	7,838	(1,345)	(16,938)	3	30	10	(10,402)
Fund balances - Beginning of year	<u>48,919</u>	<u>2,737</u>	<u>6,894</u>	<u>1,325</u>	<u>20,312</u>	<u>180,163</u>	<u>260,350</u>
Fund balances - End of year	<u>\$ 56,757</u>	<u>\$ 1,392</u>	<u>\$ (10,044)</u>	<u>\$ 1,328</u>	<u>\$ 20,342</u>	<u>\$ 180,173</u>	<u>\$ 249,948</u>

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Transit fund</u>	<u>Parking Meter Fund</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 263,432	\$ 97,415	\$ 1,623	\$ 28,361	\$ 390,831
Restricted cash	115,959	284,176	-	-	400,135
Accounts receivable	101,680	91,554	-	-	193,234
Due from government units	176,552	558,249	-	-	734,801
Inventories	30,330	58,900	-	-	89,230
Prepaid expenses	-	-	1,672	-	1,672
Capital assets - net	<u>3,953,001</u>	<u>14,385,418</u>	<u>711,107</u>	<u>-</u>	<u>19,049,526</u>
<b>Total assets</b>	<u><u>4,640,954</u></u>	<u><u>15,475,712</u></u>	<u><u>714,402</u></u>	<u><u>28,361</u></u>	<u><u>20,859,429</u></u>
<b>Deferred outflow of resources - pension</b>					
	26,843	28,353	27,488	-	82,684
<b>Liabilities</b>					
Accounts payable	97,439	546,528	121	-	644,088
Accrued expenses	19,364	63,655	15,217	5	98,241
Due to other funds	-	72,146	17,762	-	89,908
Current maturities	35,000	221,000	-	-	256,000
Net pension liability	70,448	74,349	71,648	-	216,445
Bonds payable	<u>1,864,000</u>	<u>9,239,000</u>	<u>-</u>	<u>-</u>	<u>11,103,000</u>
<b>Total liabilities</b>	<u><u>2,086,251</u></u>	<u><u>10,216,678</u></u>	<u><u>104,748</u></u>	<u><u>5</u></u>	<u><u>12,407,682</u></u>
<b>Deferred inflow of resources - pension</b>					
	2,995	3,206	3,298	-	9,499
<b>Net position</b>					
Reserved	115,959	284,176	-	-	400,135
Unreserved	<u>2,462,592</u>	<u>5,000,005</u>	<u>633,844</u>	<u>28,356</u>	<u>8,124,797</u>
<b>Total net position</b>	<u><u>\$ 2,578,551</u></u>	<u><u>\$ 5,284,181</u></u>	<u><u>\$ 633,844</u></u>	<u><u>\$ 28,356</u></u>	<u><u>\$ 8,524,932</u></u>

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2017**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Transit fund</u>	<u>Parking Meter Fund</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ 962,706	\$ 1,128,036	\$ 43,607	\$ 8,735	\$ 2,143,084
State sources	218,367	-	119,412	-	337,779
Federal sources	-	1,751,549	94,579	-	1,846,128
Other revenues	50	1,677	-	-	1,727
Total operating revenues	<u>1,181,123</u>	<u>2,881,262</u>	<u>257,598</u>	<u>8,735</u>	<u>4,328,718</u>
Operating expenses					
General administration	37,104	60,564	74,465	3,349	175,482
Meter reading	10,172	13,815	-	-	23,987
Purchased services	598,994	209,328	-	-	808,322
Operations and maintenance	303,127	349,254	156,348	-	808,729
Depreciation	190,317	417,075	35,169	-	642,561
Total operating expenses	<u>1,139,714</u>	<u>1,050,036</u>	<u>265,982</u>	<u>3,349</u>	<u>2,459,081</u>
Operating income (loss)	<u>41,409</u>	<u>1,831,226</u>	<u>(8,384)</u>	<u>5,386</u>	<u>1,869,637</u>
Non-operating revenues (expenses)					
Interest income	1,003	1,109	16	25	2,153
Interest expense	(43,035)	(215,705)	-	-	(258,740)
Operating transfers in (out)	(21,252)	(42,203)	10,054	-	(53,401)
Total non-operating revenues (expenses)	<u>(63,284)</u>	<u>(256,799)</u>	<u>10,070</u>	<u>25</u>	<u>(309,988)</u>
Net income (loss)	(21,875)	1,574,427	1,686	5,411	1,559,649
Net position, beginning of year	<u>2,600,426</u>	<u>3,709,754</u>	<u>632,158</u>	<u>22,945</u>	<u>6,965,283</u>
Net position, end of year	<u>\$ 2,578,551</u>	<u>\$ 5,284,181</u>	<u>\$ 633,844</u>	<u>\$ 28,356</u>	<u>\$ 8,524,932</u>

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**June 30, 2017**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Transit fund</u>	<u>Parking Meter Fund</u>	<u>Total</u>
Cash flows from operating activities					
Receipts from customers	\$ 1,150,467	\$ 2,875,542	\$ 252,735	\$ 8,735	\$ 4,287,479
Payments to suppliers	(1,181,947)	(1,746,139)	(382,921)	(3,964)	(3,314,971)
Payments to employees	127,851	237,195	174,755	886	540,687
Net cash provided by operating activities	<u>96,371</u>	<u>1,366,598</u>	<u>44,569</u>	<u>5,657</u>	<u>1,513,195</u>
Cash flows from noncapital financing activities					
Operating subsidies and transfers to other funds	<u>(24,672)</u>	<u>(47,645)</u>	<u>27,816</u>	<u>(64)</u>	<u>(44,565)</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	(7,500)	(2,876,455)	(73,331)	-	(2,957,286)
Principal paid on capital debt	(34,000)	(217,000)	-	-	(251,000)
Interest paid on capital debt	(43,035)	(215,705)	-	-	(258,740)
Loan proceeds	-	2,042,000	-	-	2,042,000
Net cash (used) by capital and related financing activities	<u>(84,535)</u>	<u>(1,267,160)</u>	<u>(73,331)</u>	<u>-</u>	<u>(1,425,026)</u>
Cash flows from investing activities					
Interest and dividends	<u>1,003</u>	<u>1,109</u>	<u>16</u>	<u>25</u>	<u>2,153</u>
Net (decrease) in cash	(11,833)	52,902	(930)	5,618	45,757
Balances - beginning of the year	391,224	328,689	2,553	22,743	745,209
Balances - end of the year	<u>\$ 379,391</u>	<u>\$ 381,591</u>	<u>\$ 1,623</u>	<u>\$ 28,361</u>	<u>\$ 790,966</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 41,409	\$ 1,831,226	\$ (8,384)	\$ 5,386	\$ 1,869,637
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	190,317	417,075	35,169	-	642,561
Change in assets and liabilities:					
Receivables, net	(26,423)	(1,153)	-	-	(27,576)
Due to/from other governmental units	(146,653)	(558,249)	-	-	(704,902)
Deferred outflows and inflows	591	598	460	-	1,649
Inventory	11,638	4,210	-	-	15,848
Prepaid expenses	3,092	6,404	5,762	506	15,764
Net pension liability	3,483	3,764	4,033	-	11,280
Accounts and other payables	8,268	(364,524)	121	-	(356,135)
Accrued expenses	10,649	27,247	7,408	(235)	45,069
Net cash provided by operating activities	<u>\$ 96,371</u>	<u>\$ 1,366,598</u>	<u>\$ 44,569</u>	<u>\$ 5,657</u>	<u>\$ 1,513,195</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING NET POSITION**  
**June 30, 2017**

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 77,115	\$ 135,695	\$ 212,810
Restricted cash	8,159	-	8,159
Accounts receivable	-	73	73
Due from other funds	106,271	125,854	232,125
Due from component unit	-	-	-
Inventories	-	30,445	30,445
Prepaid expenses	-	15,047	15,047
Capital assets - net	-	268,076	268,076
<b>Total assets</b>	<u>191,545</u>	<u>575,190</u>	<u>766,735</u>
 Deferred outflows of resources - pension	 -	 9,869	 9,869
<b>Liabilities</b>			
Accounts payable	11,037	(108)	10,929
Accrued expenses	6,742	1,097	7,839
Accrued interest payable	-	5,001	5,001
Accrued benefits	-	-	-
Due to other funds	-	-	-
Net pension liability	-	25,335	25,335
Current maturities	-	81,997	81,997
Notes payable	-	374,380	374,380
<b>Total liabilities</b>	<u>17,779</u>	<u>487,702</u>	<u>505,481</u>
 Deferred inflows of resources - pension	 -	 1,329	 1,329
<b>Net position</b>			
Reserved	8,159	-	8,159
Unreserved	165,607	96,028	261,635
<b>Total net position</b>	<u>\$ 173,766</u>	<u>\$ 96,028</u>	<u>\$ 269,794</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2017**

	<u>Employee</u> <u>Benefits</u>	<u>Motor Vehicle</u> <u>Fund</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 916,201	\$ 518,104	\$ 1,434,305
Other revenues	-	970	970
Total operating revenues	<u>916,201</u>	<u>519,074</u>	<u>1,435,275</u>
Operating expenses			
General administration	-	7,924	7,924
Garage maintenance	-	116,124	116,124
Operations and maintenance	-	341,339	341,339
Depreciation	-	72,864	72,864
Benefit payments:			
Payroll taxes	13,949	-	13,949
Retirement plan expense	170,667	-	170,667
Holiday pay	42,157	-	42,157
Sickpay/personal leave	19,113	-	19,113
Vacation pay	108,086	-	108,086
Workers' compensation insurance	78,909	-	78,909
Hospitalization insurance	452,394	-	452,394
Employee life insurance	677	-	677
Longevity pay	22,819	-	22,819
Other	12,964	-	12,964
Total operating expenses	<u>921,735</u>	<u>538,251</u>	<u>1,459,986</u>
Operating income (loss)	<u>(5,534)</u>	<u>(19,177)</u>	<u>(24,711)</u>
Non-operating revenues (expenses)			
Gain on sale of assets	-	18,820	18,820
Interest income	72	18	90
Interest expense	-	(15,107)	(15,107)
Operating transfers in (out)	88,401	-	88,401
Total non-operating revenues (expenses)	<u>88,473</u>	<u>3,731</u>	<u>92,204</u>
Net income (loss)	82,939	(15,446)	67,493
Net Position- Beginning of year	<u>90,827</u>	<u>111,474</u>	<u>202,301</u>
Net Position - End of year	<u>\$ 173,766</u>	<u>\$ 96,028</u>	<u>\$ 269,794</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOW**  
**Year Ended June 30, 2017**

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 916,201	\$ 516,925	\$ 1,433,126
Payments to suppliers	(895,176)	(461,630)	(1,356,806)
Payments to employees	(182,835)	(505)	(183,340)
Net cash provided by operating activities	<u>(161,810)</u>	<u>54,790</u>	<u>(107,020)</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	<u>209,868</u>	<u>106,683</u>	<u>316,551</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	-	(157,595)	(157,595)
Principal paid on capital debt	-	(60,820)	(60,820)
Interest paid on capital debt	-	(15,107)	(15,107)
Loan proceeds	-	145,595	145,595
Proceeds from sale of assets	-	18,820	18,820
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(69,107)</u>	<u>(69,107)</u>
Cash flows from investing activities			
Interest and dividends	<u>72</u>	<u>18</u>	<u>90</u>
Net (decrease) in cash	48,130	92,384	140,514
Balances - beginning of the year	37,144	43,311	80,455
Balances - end of the year	<u>\$ 85,274</u>	<u>\$ 135,695</u>	<u>\$ 220,969</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (5,534)	\$ (19,177)	\$ (24,711)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	72,864	72,864
Change in assets and liabilities:	:		
Due to/from other governmental units	-	(73)	(73)
Deferred outflows and inflows	-	75	75
Inventory	-	(1,257)	(1,257)
Prepaid expenses	22,000	1,230	23,230
Net pension liability	-	1,741	1,741
Accounts and other payables	4,559	(108)	4,451
Accrued expenses	(182,835)	(505)	(183,340)
Net cash provided by operating activities	<u>\$ (161,810)</u>	<u>\$ 54,790</u>	<u>\$ (107,020)</u>

**CITY OF HANCOCK**  
**TRANSIT FUND SUPPLEMENTAL INFORMATION**  
**June 30, 2017**

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING REVENUE**  
**Year Ended June 30, 2017**

	07/01/16 through 09/30/16	10/01/16 through 06/30/17	Total
Farebox receipts - passenger fares*	\$ 11,424	\$ 32,181	\$ 43,605
Charter Service	-	-	-
Contract Fares	-	-	-
State Operating Assistance**	31,324	73,422	104,746
Federal Section 5311***	-	31,695	31,695
Federal RTAP***	1,264	2,954	4,218
Local Operating Assistance****	30,000	5,000	35,000
Interest Income	7	9	16
<b>Total Operating Revenue</b>	<b>\$ 74,019</b>	<b>\$ 145,261</b>	<b>\$ 219,280</b>

	10/01/15 through 06/30/16	07/01/16 through 09/30/16	Total
Farebox receipts - passenger fares	\$ 38,088	\$ 11,424	\$ 49,512
Charter Service	600	-	600
Contract Fares	400	-	400
State Operating Assistance	61,357	31,324	92,681
Federal Section 5311	31,224	-	31,224
Federal RTAP	2,777	1,264	4,041
Local Operating Assistance	50,000	30,000	80,000
Interest Income	12	7	19
<b>Total Operating Revenue</b>	<b>\$ 184,458</b>	<b>\$ 74,019</b>	<b>\$ 258,477</b>

\* Farebox receipts are lower than what's reported on page 24 by \$2 due to rounding.

\*\* State revenue is \$14,666 less than what's reported on page 23 due to the exclusion of the state portion of the transit bus grant.

\*\*\* Federal revenue is \$62,884 lower than what's reported on page 23 due to the exclusion of the federal portion of the transit bus grant in the amount of \$58,665. Additionally, RTAP revenue of \$4,218 plus \$1 in rounding is included on the federal revenue line on page 23.

\*\*\*\* Local operating assistance is \$24,946 higher than what's reported on page 23 because the audit report nets transfers in and transfers out. The difference of \$24,946 is due to compensated absences that were previously reported in another fund and allocated to the transit fund as appropriate.

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**Year Ended June 30, 2017**

	07/01/16 through 09/30/16				10/01/16 through 06/30/17				Total			
	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total
Labor:												
Wages - operations	\$ 18,111	\$ -	\$ 4,954	\$ 23,065	\$ 79,039	\$ 8,461	\$ 23,858	\$ 111,358	\$ 97,150	\$ 8,461	\$ 28,812	\$ 134,423
Other salaries and wages	-	2,277	-	2,277	-	-	-	-	-	2,277	-	2,277
Dispatchers wages	2,122	-	-	2,122	-	-	-	-	2,122	-	-	2,122
Fringe benefits	19,180	2,902	7,256	29,338	5,137	7,546	20,424	33,107	24,317	10,448	27,680	62,445
Services:												
Advertising	-	-	523	523	-	-	270	270	-	-	793	793
Audit costs	-	-	1,000	1,000	-	-	-	-	-	-	1,000	1,000
Other	-	-	-	-	-	-	496	496	-	-	496	496
Materials and supplies:												
Fuel and lubricants	5,901	-	-	5,901	14,797	-	-	14,797	20,698	-	-	20,698
Tires and tubes	66	-	-	66	1,930	-	-	1,930	1,996	-	-	1,996
Major Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,323	3,103	27	4,453	2,418	4,926	187	7,531	3,741	8,029	214	11,984
Utilities	-	-	1,407	1,407	-	-	7,290	7,290	-	-	8,697	8,697
Insurance	-	-	-	-	-	1,833	-	1,833	-	1,833	-	1,833
Operating lease and rentals	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense:												
Travel	211	-	608	819	1,041	-	1,152	2,193	1,252	-	1,760	3,012
Dues & Subscriptions	-	-	700	700	-	-	350	350	-	-	1,050	1,050
RTAP	-	-	1,264	1,264	-	-	1,690	1,690	-	-	2,954	2,954
Other	-	-	-	-	-	820	-	820	-	820	-	820
Depreciation	-	-	-	-	-	-	35,169	35,169	-	-	35,169	35,169
	<u>46,914</u>	<u>8,282</u>	<u>17,739</u>	<u>72,935</u>	<u>104,362</u>	<u>23,586</u>	<u>90,886</u>	<u>218,834</u>	<u>151,276</u>	<u>31,868</u>	<u>108,625</u>	<u>291,769</u>
Less:												
Ineligible expenses - pension	-	-	-	-	-	-	669	669	-	-	669	669
Ineligible expenses - RTAP	-	-	1,264	1,264	-	-	1,690	1,690	-	-	2,954	2,954
Depreciation	-	-	-	-	35,169	-	-	35,169	35,169	-	-	35,169
	<u>\$ 46,914</u>	<u>\$ 8,282</u>	<u>\$ 16,475</u>	<u>\$ 71,671</u>	<u>\$ 69,193</u>	<u>\$ 23,586</u>	<u>\$ 88,527</u>	<u>\$ 181,306</u>	<u>\$ 116,107</u>	<u>\$ 31,868</u>	<u>\$ 105,002</u>	<u>\$ 252,977</u>

Total expenses in the amount of \$291,769 are more than total operating expenses on page 23 by \$25,787 of which \$841 is due to audit fees reported above, but not recorded in the Transit Fund. The remaining difference of \$24,946, is due to a transfer out that is netted with transfers in (out) on page 23 and is related to compensated absences that had incorrectly been reported in another fund and had been allocated to the transit fund as appropriate.

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**Reporting period October 1, 2015 through September 30, 2016**

	10/01/15 through 06/30/16				07/01/16 through 09/30/16				Total			
	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total	Operations	Maint.	Gen. Admin	Total
Labor:												
Wages - operations	\$ 57,134	\$ -	\$ 9,815	\$ 66,949	\$ 18,111	\$ -	\$ 4,954	\$ 23,065	\$ 75,245	\$ 9,815	\$ 14,769	\$ 99,829
Other salaries and wages	-	12,775	6,461	19,236	-	2,277	-	2,277	-	15,052	6,461	21,513
Dispatchers wages	6,270	-	-	6,270	2,122	-	-	2,122	8,392	-	-	8,392
Fringe benefits	13,504	10,971	13,903	38,378	19,180	2,902	7,256	29,338	32,684	13,873	21,159	67,716
Services:												
Advertising	-	-	620	620	-	-	523	523	-	-	1,143	1,143
Audit costs	-	-	-	-	-	-	1,000	1,000	-	-	1,000	1,000
Other	876	3,686	332	4,894	-	-	-	-	876	3,686	332	4,894
Materials and supplies:												
Fuel and lubricants	11,391	-	-	11,391	5,901	-	-	5,901	17,292	-	-	17,292
Tires and tubes	3,354	-	-	3,354	66	-	-	66	3,420	-	-	3,420
Major Supplies	-	8,313	-	8,313	-	-	-	-	-	8,313	-	8,313
Other	-	-	248	248	1,323	3,103	27	4,453	1,323	3,103	275	4,701
Utilities	-	-	6,202	6,202	-	-	1,407	1,407	-	-	7,609	7,609
Insurance	228	-	-	228	-	-	-	-	228	-	-	228
Operating lease and rentals	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense:												
Travel	-	-	2,497	2,497	211	-	608	819	211	-	3,105	3,316
Dues & Subscriptions	-	-	165	165	-	-	700	700	-	-	865	865
RTAP	-	-	-	-	-	-	1,264	1,264	-	-	1,264	1,264
Other	24	57	148	229	-	-	-	-	24	57	148	229
Depreciation	33,980	-	-	33,980	-	-	-	-	33,980	-	-	33,980
	<u>126,761</u>	<u>35,802</u>	<u>40,391</u>	<u>202,954</u>	<u>46,914</u>	<u>8,282</u>	<u>17,739</u>	<u>72,935</u>	<u>173,675</u>	<u>53,899</u>	<u>58,130</u>	<u>285,704</u>
Less:												
Ineligible expenses - RTAP	-	-	-	-	-	-	1,264	1,264	-	-	1,264	1,264
Depreciation	33,980	-	-	33,980	-	-	-	-	33,980	-	-	33,980
	<u>\$ 92,781</u>	<u>\$ 35,802</u>	<u>\$ 40,391</u>	<u>\$ 168,974</u>	<u>\$ 46,914</u>	<u>\$ 8,282</u>	<u>\$ 16,475</u>	<u>\$ 71,671</u>	<u>\$ 139,695</u>	<u>\$ 53,899</u>	<u>\$ 56,866</u>	<u>\$ 250,460</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANT**  
**Year Ended June 30, 2017**

<u>NON URBAN AREAS</u>	<u>07/01/16 through 09/30/16</u>	<u>10/01/16 through 06/30/17</u>	<u>Total</u>
<b>STATE OF MICHIGAN</b>			
Total Eligible Expenses	\$ 71,671	\$ 181,306	<u>\$ 252,977</u>
Reimbursement Rate %	<u>38.9950 %</u>	<u>35.7560 %</u>	
Eligible operating assistance*	<u>\$ 27,948</u>	<u>\$ 64,828</u>	<u>\$ 92,776</u>
<b>FEDERAL SECTION 5311</b>			
Total Eligible Expenses	\$ 71,671	\$ 181,306	<u>\$ 252,977</u>
Reimbursement Rate %	<u>18.5000 %</u>	<u>18.5000 %</u>	
Eligible operating assistance	<u>\$ 13,259</u>	<u>\$ 33,542</u>	<u>\$ 46,801</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**MILEAGE DATA REPORT (UNAUDITED)**  
**Year Ended June 30, 2017**

<u>Quarter Ending</u>	<u>Miles</u>
September 30, 2016	14,680
December 31, 2016	16,169
March 31, 2017	18,375
June 30, 2017	<u>17,135</u>
Total Miles	<u><u>66,359</u></u>

**CITY OF HANCOCK  
FEDERAL AWARDS PROGRAMS  
JUNE 30, 2017**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hancock as of and for the year then ended June 30, 2017 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 22, 2017.

### 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 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 2017-001 and 2017-002.

## **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 22, 2017

# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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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 the City of Hancock's major federal programs for the year ended June 30, 2017. 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 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, 2017.

## 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 22, 2017

**CITY OF HANCOCK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2017**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation		
Pass-through Michigan Department of Transportation		
Federal Transit Administration:		
Operating Assistance-Section 5311	20.509	\$ 31,695
Small Rural Urban Project STP 1731 #HK 1419	20.205	164,440
TAP Grant -1631(005)	20.205	<u>619,528</u>
		<u>783,968</u>
Bus and Bus Facilities Formula Program-Section 5339	20.526	<u>58,664</u>
Total U.S. Department of Transportation		874,327
U.S. Department of Housing and Urban Development		
Pass-through Michigan State Housing Authority		
CDBG MSC-2012-0657-1	14.228	191,097
U.S. Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>2,901,704</u>
Total expenditures of federal awards		<u><u>\$ 3,967,128</u></u>

**CITY OF HANCOCK**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2017**

**NOTE A - OVERSIGHT AGENCY**

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

**NOTE B - BASIS OF ACCOUNTING**

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

**NOTE C - MICHIGAN DEPARTMENT OF TRANSPORTATION**

The Michigan Department of Transportation (MDOT) requires that the city report all Federal and State grants pertaining to their city. During the fiscal year ended June 30, 2017, the Federal aid expended by the City was \$2,884,577 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the City, as they are included in MDOT's Single Audit.

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2017**

**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 Agriculture - Water and Waste Disposal Systems-Rural Communities	10.760
U.S. Department of Transportation - Highway Planning and Construction	20.205
Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**INSTANCES OF NON-COMPLIANCE**

**2017-001 - 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, 2017, the City of Hancock incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

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.

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the year ended June 30, 2017**

**2017-002 - DEFICIT NET POSITION**

Condition/Criteria: At June 30, 2017 the City of Hancock had an unrestricted equity deficit in one fund, as shown on page 64. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the City of Hancock has not filed such a plan.

Cause of Condition: Failure of operating revenues to cover operating expenditures in the current and prior fiscal years.

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

Recommendation: The City of Hancock needs to either increase operating revenues or decrease operating expenditures in the future.

View of Responsible Officials: Contact person(s) Responsible for Correction: Glenn Anderson, City Manager, Corrective Action Planned: The revenue and expenditures will be closely monitored. Anticipated Completion Date: June 30, 2018.

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**

Current Year - No matters were reported.

Prior Year - No matters were reported.

## **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, 2017. 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 October 12, 2016. 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, 2017. 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 estimate affecting the City of Hancock's financial statements is current depreciation.

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management 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 22, 2017.

### *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.

It has been a pleasure to provide audit services to the City of Hancock. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

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

December 22, 2017

**CITY OF HANCOCK  
COMMENTS AND RECOMMENDATIONS - June 30, 2017**

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In planning and performing our audit of the financial statements of the City of Hancock as of and for the year ended June 30, 2017, 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 an opportunity for strengthening internal controls and operating efficiencies. 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 recommendations.

*Bank Accounts*

It was noted that no review of the bank statements and reconciliations are taking place. We recommend that the city manager or a board member review the bank reconciliations on a monthly basis.

*Grant Activity/Funding Sources*

It is important to document and record grant and bond requirements for each revenue source on a regular basis. We recommend the City Manager share documentation regarding the grant activity with the accounting department so that grant activity can be recorded in a timely and complete manner. The documentation should include: Grant award document, including updated documents, budget, contact information, correspondence, cash management information (invoices and reports).

*Compensated Absences*

It was noted during the audit that the method used for vacation limits does not follow City policy. We recommend the City policy be reviewed and followed during the accrual process and prior to termination.