

**CITY OF HANCOCK**  
**HOUGHTON COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS WITH**  
**SUPPLEMENTAL INFORMATION**

**June 30, 2008**

**CITY OF HANCOCK**

**JUNE 30, 2008**

---

**ADMINISTRATION**

City Manager ..... Glenn Anderson  
Clerk/Treasurer ..... Karen Haischer

**BOARD MEMBERS**

Mayor ..... Barry Givens  
Mayor Pro Tem ..... William Laitila  
Ward III ..... Sarah Baratono  
At Large ..... Lisa McKenzie  
At Large ..... Thomas Gemignani  
At Large ..... James Hainault  
At Large ..... Ted Belej

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	6
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	8
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Assets .....	17
Statement of Activities .....	18
Balance Sheet - Governmental Funds .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	20
Balance Sheet - Proprietary Funds .....	21
Statement of Revenues, Expenditures, and Changes in Retained Earnings - Proprietary Funds .....	22
Statement of Cash Flows - Proprietary Funds .....	23
Statement of Fiduciary Net Assets - Fiduciary Funds .....	24
Notes to Financial Statements .....	25
<b>REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION:</b>	
Budgetary Comparison Schedule - General Fund .....	51
Budgetary Comparison Schedule - Major Street Fund .....	52
Budgetary Comparison Schedule - Local Street Fund .....	53
<b>SUPPLEMENTAL FINANCIAL INFORMATION:</b>	
<u>General Fund:</u>	
Balance Sheets .....	55
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual .....	56
<u>Special Revenue Funds:</u>	
Combining Balance Sheets .....	59
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances .....	60
Major Street Fund	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual .....	61

**TABLE OF CONTENTS**  
**(CONTINUED)**

	<u>Page</u>
<b>SUPPLEMENTAL FINANCIAL INFORMATION (Continued):</b>	
<u>Special Revenue (Continued)</u>	
Local Street Fund	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual . . . . .	62
Community Development Block Grant Fund - M2000-0657 (NPP)	
Schedules of Revenues, Expenditures, and Changes in Fund Balance . . . . .	63
Elevation Street TIFA	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual . . . . .	64
<u>Debt Service (Building Authority) Fund:</u>	
Balance Sheets . . . . .	65
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual . . . . .	66
<u>Residential Capital Projects:</u>	
Balance Sheets . . . . .	67
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual . . . . .	68
<u>Proprietary Funds:</u>	
Enterprise Funds:	
Combining Balance Sheets . . . . .	69
Combining Statements of Revenues, Expenses, and Changes in Retained Earnings . . . . .	71
Combining Statements of Cash Flows . . . . .	72
Parking Meter Fund:	
Balance Sheets . . . . .	73
Schedules of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual . . . . .	74
Sewer Disposal System Fund:	
Balance Sheets . . . . .	75
Schedules of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual . . . . .	76
Water Supply System Fund:	
Balance Sheets . . . . .	77
Schedules of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual . . . . .	78
Transit Fund:	
Balance Sheets . . . . .	79
Schedules of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual . . . . .	80

**TABLE OF CONTENTS**  
**(CONTINUED)**

	<u>Page</u>
<b>SUPPLEMENTAL FINANCIAL INFORMATION (Continued):</b>	
<u>Internal Service Funds:</u>	
Combining Balance Sheets .....	81
Combining Statements of Revenues, Expenses, and Changes in Retained Earnings .....	82
Combining Statements of Cash Flows .....	83
Employee Benefit Fund:	
Schedules of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual .....	84
Motor Vehicle Fund:	
Schedules of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual .....	85
<u>Cemetery Perpetual Care Trust Fund:</u>	
Schedules of Revenues, Expenditures, and Changes in Retained Earnings - Budget and Actual .....	86
<b>TRANSIT FUND SUPPLEMENTAL INFORMATION:</b>	
<u>MDOT-Passenger Transportation Division Schedules:</u>	
Operating Revenue .....	88
Operating Expenses .....	89
Computation of State and Federal Operating Assistance .....	91
Mileage Data Report (Unaudited) .....	92
<b>FEDERAL AWARDS PROGRAMS:</b>	
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 .....	94
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	98
Schedule of Expenditures of Federal Awards .....	100
Notes to the Schedule of Expenditures of Federal Awards .....	101
Schedule of Findings and Questioned Costs .....	102



Bruce A. Rukkila, CPA, PC

310 Sheldon Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.brucerukkila.com



## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activities and the aggregate remaining fund information of the City of Hancock as of and for the year then ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hancock's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the business-type activities and the aggregate remaining fund information of the City of Hancock as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2008 on our consideration of the City of Hancock's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

**Bruce A. Rukkila, CPA, PC**

December 30, 2008

Certified Public Accountants

**City of Hancock  
Management's Discussion and Analysis  
June 30, 2008**

---

This section of the City of Hancock's annual Financial Report presents Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2008. The analysis focuses on the City's financial performance as a whole. It is intended to be read as part of the City's financial statements, which immediately follow this section.

**Financial Highlights**

- The assets of the City of Hancock exceeded its liabilities at the close of the most recent fiscal year by \$4,834,385 (net assets). Of this amount, \$3,463,039 (unreserved net assets) may be used to meet the government's ongoing obligations.
- The City of Hancock's total net assets increased by \$590,426. This was the result of a increase in net assets of governmental activities of \$222,808 along with an increase in the assets of business-type activities of \$367,618.
- The City of Hancock had charges for services of \$1,725,106 in governmental activities and \$1,342,309 for business-type activities and expenses totaling \$6,250,286 during the year ended June 30, 2008.
- At the close of the fiscal year, the City of Hancock's governmental activities funds reported a combined ending net assets balance of \$2,464,100. This is an increase of \$222,808.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$266,796 or about 10 percent of total general fund expenditures, general fund operating transfers to other funds were \$632,039 in 2008 compared to \$171,853 in the prior year, an increase of \$460,186.
- The City of Hancock expended \$1,090,608 in federal awards requiring the City undergo a Single Audit. The schedule of federal expenditure awards is located on page 100. A majority of the federal expenditures was related to the water improvement project.
- During the fiscal year the City was able to eliminate a deficit totaling \$5,713 that was reported in the prior year for the Transit Fund. The City had a fund balance as of June 30, 2008 in the Transit Fund in the amount of \$176,820.
- During the fiscal year the City reduced the due to/due from other funds by \$52,136.

**Overview of the Financial Statements**

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

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

*Statement of Net Assets and the Statement of Activities*

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



## **Overview of the Financial Statements - Continued**

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

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

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

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

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

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

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

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

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

**Overview of the Financial Statements - Continued**

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

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

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

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

**Summary of Net Assets**

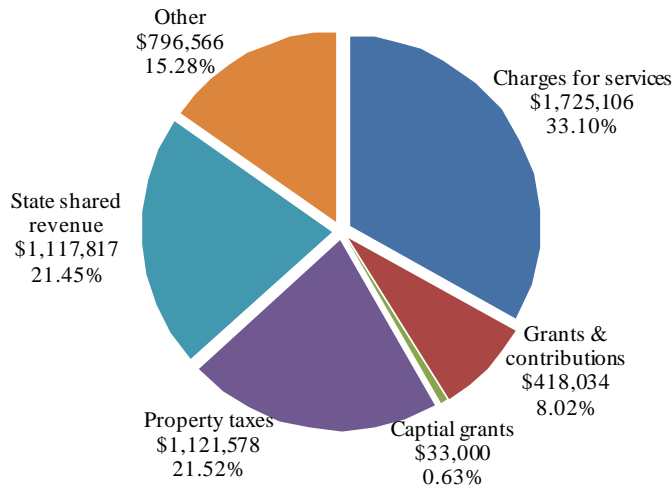
	Governmental Activities	Business-type Activities
Assets		
Current and other assets	\$ 1,383,127	\$ 508,681
Capital assets- Net of accumulated depreciation	3,720,407	4,091,104
Total Assets	\$ 5,103,534	\$ 4,599,785
Liabilities		
Current liabilities	\$ 276,050	\$ 134,180
Long-term liabilities	2,363,384	2,095,320
Total Liabilities	2,639,434	2,229,500
Net Assets		
Invested in property and equipment - net of related debt	3,075,649	0
Contributed capital	0	175,464
Restricted for debt	(2,067,923)	0
Reserved	154,586	343,016
Unrestricted	1,301,788	1,851,805
Total Net Assets	2,464,100	2,370,285
Total Liabilities and Net Assets	\$ 5,103,534	\$ 4,599,785

**Results of Operations**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Revenues</u>		
Program Revenue:		
Charges for services	\$ 1,725,106	\$ 1,342,309
Grants and contributions	418,034	241,274
Capital grants and contributions	33,000	0
General Revenue:		
Property taxes	1,121,578	0
State shared revenue	1,117,817	0
Other	796,566	45,028
Transfers	0	406,617
Total Revenue	<u>5,212,101</u>	<u>2,035,228</u>
<u>Functions/Program Expenses</u>		
General government	928,432	0
Public safety	719,444	0
Public works	2,246,400	1,667,610
Sanitation	294,139	0
Recreation and culture	144,923	0
Interest on long-term debt	21,590	0
Other	227,748	0
Transfers	406,617	0
Total Expenses	<u>4,989,293</u>	<u>1,667,610</u>
Change in Net Assets	222,808	367,618
Net Assets - Beginning	<u>2,241,292</u>	<u>2,002,667</u>
Net Assets - Ending	<u>\$ 2,464,100</u>	<u>\$ 2,370,285</u>

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

**Governmental Activities - Revenues**



**City of Hancock  
Management's Discussion and Analysis  
June 30, 2008**

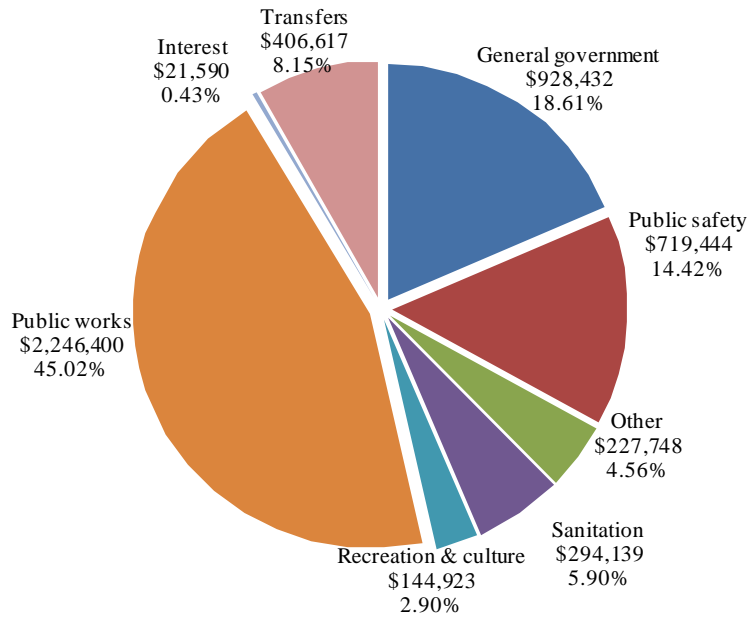
---

The most significant portions of the revenues for all governmental activities of the City comes from property taxes. The City's operating millage was 14.3915.

The state revenue represents state shared revenue and funds for the Major and Local Street Funds from the Michigan Transportation Fund.

The charges are a combination of charges from the internal service funds for employee benefits and the use of the motor vehicles, as well as garbage collection revenue and campground revenue.

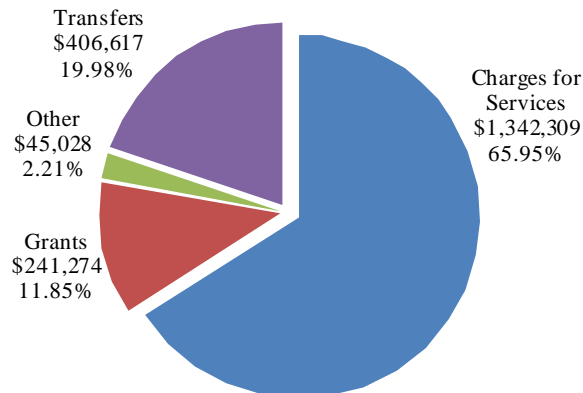
**Governmental Activities - Expenditures**



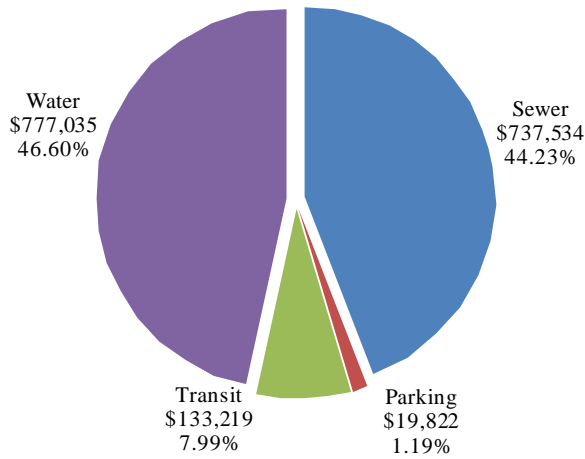
The general area expenses represent City hall activities. The major, local and motor vehicle expenses are included in the public works area. Police and fire expenses are included in public safety.

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

**Business-Type Activities - Revenues**



**Business-Type Activities - Expenditures**



**Significant Transactions and Changes in Individual Funds**

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

**GENERAL FUND**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 2,421,488	\$ 1,961,001	\$ 460,487
Expenditures/Transfers	\$ 2,641,226	\$ 1,917,717	\$ 723,509
Fund Balance	\$ 331,650	\$ 551,388	\$ (219,738)

The General Fund saw an increase in revenues and expenditures of \$460,487 and \$723,509, respectively. The increase in revenue is due to the sale of land and loan proceeds. The increase in expenses is due to the operating transfers out.

**SPECIAL REVENUE FUNDS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
<b>Major Street Fund:</b>			
Revenues/Transfers	\$ 925,026	\$ 562,598	\$ 362,428
Expenditures/Transfers	\$ 901,907	\$ 648,789	\$ 253,118
Fund Balance (Deficit)	\$ (39,356)	\$ (62,475)	\$ 23,119
<b>Local Street Fund:</b>			
Revenues/Transfers	\$ 401,918	\$ 345,507	\$ 56,411
Expenditures/Transfers	\$ 464,811	\$ 414,262	\$ 50,549
Fund Balance (Deficit)	\$ (131,648)	\$ (68,755)	\$ (62,893)
<b>CDBG Fund:</b>			
Revenues/Transfers	\$ 138,208	\$ 476,269	\$ (338,061)
Expenditures/Transfers	\$ 121,497	\$ 485,740	\$ (364,243)
Fund Balance	\$ 103,027	\$ 86,316	\$ 16,711
<b>Elevation Street TIF Fund:</b>			
Revenues/Transfers	\$ 26,290	\$ 23,898	\$ 2,392
Expenditures/Transfers	\$ 0	\$ 60	\$ (60)
Fund Balance	\$ 116,124	\$ 89,834	\$ 26,290

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

Major Street Fund - The increase in revenues/transfers of \$362,428 are from the combination of a grant received and a decrease in state revenues and transfers. Expenses/transfers increased by \$253,118 due to expenses related to the grant received and minor increases in most other areas.

Local Street Fund - The increase in revenues/transfers are primarily from increases in transfers to support lost state revenues and increased expenditures. The increase in expenses are from increases in construction and maintenance costs.

CDBG Fund - The CDBG fund had a significant decrease in both revenues and expenditures due to a large grant received during the prior year that was used to complete construction projects from the prior year.

**ENTERPRISE FUNDS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
<b>Parking Meter Fund</b>			
Revenues/Transfers	\$ 17,438	\$ 27,495	\$ (10,057)
Expenditures/Transfers	\$ 19,822	\$ 19,877	\$ (55)
Retained Earnings	\$ 511	\$ 2,895	\$ (2,384)
<b>Transit Fund</b>			
Revenues/Transfers	\$ 315,356	\$ 166,999	\$ 148,357
Expenditures/Transfers	\$ 133,219	\$ 160,929	\$ (27,710)
Retained Earnings (Deficit)	\$ 176,820	\$ (5,317)	\$ 182,137
<b>Sewer Fund</b>			
Revenues/Transfers	\$ 651,435	\$ 627,193	\$ 24,242
Expenditures/Transfers	\$ 737,534	\$ 682,811	\$ 54,723
Retained Earnings	\$ 1,297,729	\$ 1,383,828	\$ (86,099)
<b>Water Fund</b>			
Revenues/Transfers	\$ 1,050,999	\$ 591,709	\$ 459,290
Expenditures/Transfers	\$ 777,035	\$ 685,294	\$ 91,741
Retained Earnings	\$ 895,225	\$ 621,261	\$ 273,964

Parking Meter Fund - The Parking Meter Fund showed a slight decrease in parking meter fines and transfers in were made to cover expenses and avoid a deficit fund balance.

Transit Fund - The Transit Fund had increases in revenues from state grants, contributions, fare box, and bus passes. The major increase was the grant revenue for the purchase of buses. Expenditures showed decreases overall, mostly due to the cost savings associated with the purchase new buses.

Sewer Fund - The Sewer Fund's expenditures increased by \$54,723 this fiscal year. A significant portion of this can be attributed to increases in operation and maintenance expenditures.

Water Fund - The Water Funds revenues increased by \$459,290. The major increase is from a larger transfer from the general fund and an increase in water billings due to the repair of meters.

**DEBT SERVICE (BUILDING AUTHORITY)**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 97,793	\$ 97,229	\$ 564
Expenditures/Transfers	\$ 97,735	\$ 97,218	\$ 517
Fund Balance	\$ 1,818	\$ 1,760	\$ 58

**City of Hancock  
Management's Discussion and Analysis  
June 30, 2008**

---

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

**RESIDENTIAL CAPITAL PROJECTS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 17,298	\$ 33,415	\$ (16,117)
Expenditures/Transfers	\$ 94,955	\$ 64,631	\$ 30,324
Fund Balance (deficit)	\$ (75,671)	\$ 1,986	\$ (77,657)

Revenue from lot sales decreased from prior year. The expenditure variance represents an increase in contracted services.

**INTERNAL SERVICE FUNDS**

Employee Benefits Fund - Revenue increased due to additional charges to other city funds. Expenses increased due to an increase in payroll taxes, health insurance, vacation, holiday, sick, and personal leave pay.

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 807,372	\$ 792,196	\$ 15,176
Expenditures/Transfers	\$ 804,316	\$ 767,543	\$ 36,773
Fund Balance	\$ 70,547	\$ 67,491	\$ 3,056

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

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Revenues/Transfers	\$ 623,635	\$ 540,736	\$ 82,899
Expenditures/Transfers	\$ 501,381	\$ 452,081	\$ 49,300
Fund Balance	\$ 688,275	\$ 566,021	\$ 122,254

**Financial Analysis**

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

As of the end of the current fiscal year, the City's governmental funds reported combined unreserved fund balances of \$136,245.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$266,796. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents about 10% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$219,758 during the fiscal year.

Proprietary Funds: The City's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Fund equity at the end of the year amounted to \$2,370,285. Of this amount \$1,985,812 is unrestricted.

### **Capital Assets and Debt Administration**

The City's net investment in capital assets for the governmental and business-type activities as of June 30, 2008, amounts to \$7,811,511. This investment in capital assets includes land, buildings, improvements, machinery and equipment. The Major Street Fund capital assets increased from the streetscape project.

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

Long-term debt: At the end of the current fiscal year, the City had total debt of \$4,261,017. This total amount is backed by the full faith and credit of the City.

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

### **Request for Information**

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



**CITY OF HANCOCK**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 665,731	\$ 96,271	\$ 762,002	\$ 198,457
Restricted cash	171,380	114,948	286,328	-
Investments	15,548	145,871	161,419	-
Restricted investments	-	100,861	100,861	-
Receivables	150,455	87,182	237,637	18,500
Inventories	46,933	75,914	122,847	-
Prepaid expenses	97,384	2,475	99,859	-
Due from component unit	8,292	-	8,292	-
Internal balances	114,841	(114,841)	-	-
Due from other governmental units	112,563	-	112,563	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,383,127</b>	<b>508,681</b>	<b>1,891,808</b>	<b>216,957</b>
<b>NONCURRENT ASSETS:</b>				
Non-depreciable capital assets	300,670	-	300,670	114,288
Depreciable capital assets-Net	3,419,737	4,091,104	7,510,841	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,720,407</b>	<b>4,091,104</b>	<b>7,811,511</b>	<b>114,288</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,103,534</b>	<b>\$ 4,599,785</b>	<b>\$ 9,703,319</b>	<b>\$ 331,245</b>
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 134,803	\$ 50,802	\$ 185,605	\$ -
Due to primary government	-	-	-	8,292
Due to other governmental units	-	47,378	47,378	-
Bonds payable, current maturities	80,000	36,000	116,000	-
Note payable, current maturities	61,247	-	61,247	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>276,050</b>	<b>134,180</b>	<b>410,230</b>	<b>8,292</b>
<b>NONCURRENT LIABILITIES:</b>				
Bonds payable, less current maturities	1,787,000	2,095,320	3,882,320	-
Note payable, less current maturities	201,450	-	201,450	-
Compensated absences	374,934	-	374,934	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,363,384</b>	<b>2,095,320</b>	<b>4,458,704</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,639,434</b>	<b>2,229,500</b>	<b>4,868,934</b>	<b>8,292</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	3,075,649	-	3,075,649	-
Contributed capital	-	175,464	175,464	-
Restricted for debt service	(2,067,923)	-	(2,067,923)	-
Reserved	154,611	33,545	188,156	-
Unreserved	1,301,763	2,161,276	3,463,039	322,953
<b>TOTAL NET ASSETS</b>	<b>2,464,100</b>	<b>2,370,285</b>	<b>4,834,385</b>	<b>322,953</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,103,534</b>	<b>\$ 4,599,785</b>	<b>\$ 9,703,319</b>	<b>\$ 331,245</b>

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

**CITY OF HANCOCK**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2008**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit (DDA)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>FUNCTIONS/PROGRAMS</b>								
Primary government:								
Government activities:								
General government	\$ 928,432	\$ 760,680	\$ -	\$ -	(167,752)	\$ -	(167,752)	\$ -
Public safety	719,444	2,879	-	33,000	(683,565)	-	(683,565)	-
Public works	2,246,400	620,600	418,034	-	(1,207,766)	-	(1,207,766)	-
Sanitation	294,139	155,909	-	-	(138,230)	-	(138,230)	-
Recreation and culture	144,923	70,932	-	-	(73,991)	-	(73,991)	-
Interest on long-term debt	21,590	-	-	-	(21,590)	-	(21,590)	-
Other	227,748	114,106	-	-	(113,642)	-	(113,642)	-
Total governmental activities	4,582,676	1,725,106	418,034	33,000	(2,406,536)	-	2,406,536	-
Business-type activities:								
Water	777,035	695,621	-	-	-	(81,414)	(81,414)	-
Sewer	737,534	599,545	-	-	-	(137,989)	(137,989)	-
Parking Meter	19,822	12,095	-	-	-	(7,727)	(7,727)	-
Transit	133,219	35,048	241,274	-	-	143,103	143,103	-
Total business-type activities	1,667,610	1,342,309	241,274	-	-	84,027	84,027	-
Total primary government	\$ 6,250,286	\$ 3,067,415	\$ 659,308	\$ 33,000	(2,406,536)	(84,027)	(2,490,563)	-
Component unit:								
DDA District	\$ 57,631	\$ -	\$ -	\$ -	-	-	-	(57,631)
General Revenues:								
Property taxes, levied for general operations					1,121,578	-	1,121,578	103,393
State shared revenue					1,117,817	-	1,117,817	-
Interest and investment earnings					36,397	18,938	55,335	5,374
Transfers					(406,617)	406,617	-	-
Gain on sale of assets					442,456	-	442,456	-
Other					317,713	26,090	343,803	1,297
Total general revenues, transfers, and special items					2,629,344	451,645	3,080,989	110,064
Change in Net Assets					222,808	367,618	590,426	52,433
Net Assets - Beginning					2,241,292	2,002,667	4,243,959	270,520
Net Assets - Ending					\$ 2,464,100	\$ 2,370,285	\$ 4,834,385	\$ 322,953

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

**CITY OF HANCOCK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2008**

	Major Governmental Funds			Other	Total Governmental Funds
	General	Major Street	Local Street	Non-major	
	Fund	Fund	Fund	Governmental Funds	
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 413,562	\$ 13,187	\$ 8,386	\$ 148,596	\$ 583,731
Investments	15,548	-	-	-	15,548
Taxes receivable	47,173	-	78,013	45	125,231
Accounts receivable	24,082	-	-	-	24,082
Due from other funds	69,110	-	134,192	-	203,302
Due from governmental units	57,700	39,090	15,773	-	112,563
Inventory	19,215	-	-	-	19,215
Prepaid expenses	38,028	-	-	-	38,028
Restricted cash	64,854	-	-	104,845	169,699
<b>TOTAL ASSETS</b>	<b>\$ 749,272</b>	<b>\$ 52,277</b>	<b>\$ 236,364</b>	<b>\$ 253,486</b>	<b>\$ 1,291,399</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 55,353	\$ 2,229	\$ 134	\$ 50	\$ 57,766
Accrued expenses	16,163	2,107	748	397	19,415
Due to other funds	346,106	87,297	367,130	107,741	908,274
<b>TOTAL LIABILITIES</b>	<b>417,622</b>	<b>91,633</b>	<b>368,012</b>	<b>108,188</b>	<b>985,455</b>
<b>FUND BALANCES:</b>					
Reserved	64,854	-	-	104,845	169,699
Unreserved	266,796	(39,356)	(131,648)	40,453	136,245
	331,650	(39,356)	(131,648)	145,298	305,944
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 749,272</b>	<b>\$ 52,277</b>	<b>\$ 236,364</b>	<b>\$ 253,486</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,490,903
Internal service fund is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net assets.	758,822
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(2,091,569)
Net assets of governmental activities	<u>\$ 2,464,100</u>

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

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2008**

	Major Governmental Funds			Other	Total
	General	Major Street	Local Street	Non-major Governmental Funds	
Revenues:					
Taxes	\$ 1,019,768	\$ -	\$ 78,013	\$ 23,797	\$ 1,121,578
State revenue	473,737	495,016	149,064	-	1,117,817
Federal revenue	33,000	355,416	-	62,618	451,034
Charges for services	343,661	-	-	114,836	458,497
Interest	41,920	1,122	389	2,748	46,179
Other revenue	456,914	997	-	75,590	533,501
Total revenues	2,369,000	852,551	227,466	279,589	3,728,606
Expenditures:					
General government	525,719	19,548	6,857	375	552,499
Public safety	719,444	-	-	-	719,444
Public works	188,440	860,854	457,954	216,077	1,723,325
Sanitation	294,139	-	-	-	294,139
Recreation and culture	144,923	-	-	-	144,923
Debt Service	49,590	-	-	-	49,590
Other	86,932	-	-	97,735	184,667
Total expenditures	2,009,187	880,402	464,811	314,187	3,668,587
Excess (deficiency) of revenue over expenditures	359,813	(27,851)	(237,345)	(34,598)	60,019
Other Financing Sources (Uses)					
Loan Proceeds	52,488	-	-	-	52,488
Operating transfers in	-	72,475	174,452	-	246,927
Operating transfers out	(632,039)	(21,505)	-	-	(653,544)
Total other financing sources (uses)	(579,551)	50,970	174,452	-	(354,129)
Net change in fund balance	(219,738)	23,119	(62,893)	(34,598)	(294,110)
Fund Balances - Beginning of Year	551,388	(62,475)	(68,755)	179,896	
Fund Balances - End of Year	\$ 331,650	\$ (39,356)	\$ (131,648)	\$ 145,298	

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

Governmental funds do not record depreciation and report capital outlays as expenditures. This amount represents depreciation.	415,254
Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities where it reduces long-term debt.	(11,000)
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	(34,646)
Internal service fund is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities.	(125,310)
Change in net assets of governmental activities	<u>\$ 222,808</u>

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

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**BALANCE SHEET**  
**Year Ended June 30, 2008**

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Major Funds				Non-major Business- Type Funds	Total
Sewer Fund	Water Fund	Transit Fund				
<b>ASSETS:</b>						
Current assets:						
Cash and cash equivalents	\$ 48,616	\$ 33,129	\$ 12,211	\$ 2,315	\$ 96,271	\$ 82,000
Restricted cash	6,800	108,148	-	-	114,948	1,681
Investments	145,871	-	-	-	145,871	
Restricted investments	-	100,861	-	-	100,861	-
Accounts receivable	41,256	45,806	40	80	87,182	1,142
Inventory	28,830	47,084	-	-	75,914	27,718
Due from other funds	-	-	-	-	-	819,813
Due from component unit	-	-	-	-	-	8,292
Prepaid expenses	-	-	2,475	-	2,475	59,356
Total current assets	271,373	335,028	14,726	2,395	623,522	1,000,002
Property, plant, and equipment	5,787,904	6,180,025	264,581	30,893	12,263,403	1,719,457
Accumulated depreciation	(4,643,184)	(3,401,487)	(96,735)	(30,893)	(8,172,299)	(1,489,953)
	1,144,720	2,778,538	167,846	-	4,091,104	229,504
<b>TOTAL ASSETS</b>	<b>\$ 1,416,093</b>	<b>\$ 3,113,566</b>	<b>\$ 182,572</b>	<b>\$ 2,395</b>	<b>\$ 4,714,626</b>	<b>\$ 1,229,506</b>
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	\$ 3,798	\$ 38,762	\$ 4,163	\$ 5	\$ 46,728	\$ 28,255
Accrued expenses	728	1,314	1,589	443	4,074	179,732
Due to other funds	1,460	111,945	-	1,436	114,841	-
Due to other governmental units	47,378	-	-	-	47,378	-
Current maturities on long term debt	10,000	26,000	-	-	36,000	61,247
Total current liabilities	63,364	178,021	5,752	1,884	249,021	269,234
Long-term liabilities:						
Bonds/note payable	55,000	2,040,320	-	-	2,095,320	201,450
<b>TOTAL LIABILITIES</b>	<b>118,364</b>	<b>2,218,341</b>	<b>5,752</b>	<b>1,884</b>	<b>2,344,341</b>	<b>470,684</b>
<b>FUND EQUITY:</b>						
Contributed capital	-	-	175,464	-	175,464	-
Retained earnings:						
Reserved	-	209,009	-	-	209,009	1,681
Unreserved	1,297,729	686,216	1,356	511	1,985,812	757,141
Total retained earnings	1,297,729	895,225	1,356	511	2,194,821	758,822
<b>TOTAL FUND EQUITY</b>	<b>1,297,729</b>	<b>895,225</b>	<b>176,820</b>	<b>511</b>	<b>2,370,285</b>	<b>758,822</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,416,093</b>	<b>\$ 3,113,566</b>	<b>\$ 182,572</b>	<b>\$ 2,395</b>	<b>\$ 4,714,626</b>	<b>\$ 1,229,506</b>

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

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**Year Ended June 30, 2008**

	Business-Type Activities				Total	Governmental
	Enterprise Funds			Non-major Business Type funds		Internal
	Major Funds		Transit Fund			Service
Sewer Fund	Water Fund					Funds
OPERATING REVENUES:						
Sales and charges for services	\$ 599,545	\$ 695,621	\$ 35,048	\$ 12,095	\$ 1,342,309	\$ 1,381,280
State revenue	-	-	110,332	-	110,332	-
Federal revenue	-	-	148,942	-	148,942	-
Other revenue	-	7,710	380	-	8,090	48,020
<b>TOTAL OPERATING REVENUES</b>	<b>599,545</b>	<b>703,331</b>	<b>294,702</b>	<b>12,095</b>	<b>1,609,673</b>	<b>1,429,300</b>
OPERATING EXPENSES:						
General administration	35,546	64,111	4,420	19,822	123,899	830,204
Meter reading	9,457	9,471	-	-	18,928	-
Purchase of water	-	177,092	-	-	177,092	-
Operations and maintenance	589,923	348,668	115,271	-	1,053,862	370,334
Depreciation	98,858	106,432	13,528	-	218,818	99,048
<b>TOTAL OPERATING EXPENSES</b>	<b>733,784</b>	<b>705,774</b>	<b>133,219</b>	<b>19,822</b>	<b>1,592,599</b>	<b>1,299,586</b>
OPERATING INCOME (LOSS)	(134,239)	(2,443)	161,483	(7,727)	17,074	129,714
NON-OPERATING REVENUES (EXPENSES):						
Gain on sale of asset	-	-	-	-	-	350
Interest income	7,315	11,243	337	43	18,938	1,357
Interest expense	(3,750)	(71,261)	-	-	(75,011)	(6,111)
Operating transfers in	44,575	336,425	20,317	5,300	406,617	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>48,140</b>	<b>276,407</b>	<b>20,654</b>	<b>5,343</b>	<b>350,544</b>	<b>(4,404)</b>
NET INCOME (LOSS)	(86,099)	273,964	182,137	(2,384)	367,618	125,310
RETAINED EARNINGS, BEGINNING OF YEAR	1,383,828	621,261	(5,317)	2,895	2,002,667	633,512
RETAINED EARNINGS, END OF YEAR	\$ 1,297,729	\$ 895,225	\$ 176,820	\$ 511	\$ 2,370,285	\$ 758,822

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

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2008**

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
	<u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service Funds</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,385,809	\$ -	\$ 1,385,809
Payments to suppliers	(844,319)	(1,086,030)	(1,930,349)
Internal activity -- receipts (payments) to other funds	(214,727)	1,339,595	1,124,868
Payments to employees	(224,561)	(39,105)	(263,666)
Other receipts (payments)	267,364	61,345	328,709
Net cash provided by operating activities	<u>369,566</u>	<u>275,805</u>	<u>645,371</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers to other funds	<u>(57,207)</u>	<u>(179,314)</u>	<u>(236,521)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Contributions	-	150,065	150,065
Purchases of capital assets	(175,464)	(148,705)	(324,169)
Sale of capital assets	-	350	350
Principal paid on capital debt	(25,000)	(51,384)	(76,384)
Interest paid on capital debt	<u>(75,011)</u>	<u>(6,111)</u>	<u>(81,122)</u>
Net cash (used) by capital and related financing activities	<u>(275,475)</u>	<u>(55,785)</u>	<u>(331,260)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(27,313)	-	(27,313)
Proceeds from sale and maturities of investments	-	-	-
Interest and dividends	18,938	1,357	20,295
Net cash provided by investing activities	<u>(8,375)</u>	<u>1,357</u>	<u>(7,018)</u>
Net (decrease) in cash and cash equivalents	28,509	42,063	70,572
Balances – beginning of the year	<u>175,095</u>	<u>41,618</u>	<u>216,713</u>
Balances – end of the year	<u>\$ 203,604</u>	<u>\$ 83,681</u>	<u>\$ 287,285</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 17,074	\$ 129,714	\$ 146,788
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	218,818	99,048	317,866
Change in assets and liabilities:			
Receivables, net	43,500	13,325	56,825
Inventory	6,527	(1,009)	5,518
Prepaid expenses	(367)	1,883	1,516
Accounts and other payables	44,231	19,074	63,305
Due to other governmental	38,847	-	38,847
Accrued expenses	936	13,770	14,706
Net cash provided by operating activities	<u>\$ 369,566</u>	<u>\$ 275,805</u>	<u>\$ 645,371</u>

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

**CITY OF HANCOCK**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2008**

	Non-Expendable			
	<u>Trust Fund</u>			
	Cemetery			
	Perpetual			
	<u>Agency Funds</u>			
	<u>Care Trust</u>	<u>Agency</u>	<u>Payroll</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash and equivalents	\$ 74,373	\$ 354	\$ 5	\$ 359
Investments	94,485	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 168,858</b>	<b>\$ 354</b>	<b>\$ 5</b>	<b>\$ 359</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ 5	\$ 5
Due to general fund	-	354	-	354
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>354</b>	<b>5</b>	<b>359</b>
<b>FUND EQUITY:</b>				
Fund balance:				
Reserved	168,858	-	-	-
<b>TOTAL FUND EQUITY</b>	<b>168,858</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 168,858</b>	<b>\$ 354</b>	<b>\$ 5</b>	<b>\$ 359</b>



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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, 2008**

---

**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, 2007 is as follows:

Total assets	<u>\$ 1,347,577</u>
Total liabilities	\$ 130,534
Total equity	<u>1,217,043</u>
Total liabilities and surplus	<u>\$ 1,347,577</u>
Operating income	\$ 704,346
Operating expenses	<u>849,334</u>
Net operating income	(144,988)
Net Non-operating revenues(expenses)	<u>25,244</u>
Net income	<u>\$ (119,744)</u>

Portage Lake Water and Sewage Authority

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

A summary of the Authorities financial information for the year ended June 30, 2008 (most recent year audited) shows the following:

Total Assets	\$ 10,090,819
Total Liabilities	\$ 8,866,022
Total Equity	\$ 1,224,797
Total Revenues	\$ 1,239,326
Total Expenditures	\$ 2,222,195
Long-Term Debt	\$ 8,165,678

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

COMPONENT UNITS

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

DISCRETELY PRESENTED COMPONENT UNITS

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

BLENDED COMPONENT UNITS

City of Hancock Building Authority

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

The City first utilizes restricted resources to finance qualifying activities.

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

The City does not allocate indirect costs.

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

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

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

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

The City reports the following major governmental funds:

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

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

Local Street Fund- The Local Street Fund accounts for taxes and special assessments for local street purposes.

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

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

**PROPRIETARY FUND TYPES**

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

The City reports the following proprietary funds:

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

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

The City reports the following major proprietary funds:

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

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

Transit Fund- The Transit Fund is used to account for the operation of a public transportation system.

**FIDUCIARY FUND TYPES**

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

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

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

Modified Accrual Method

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

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

*Other Accounting Policies*

Cash and cash equivalents

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

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

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

Property Taxes

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

Receivables and Payables

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

Inventory

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

Capital Assets

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

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

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

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

Long-term Obligations

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

Estimates

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

Encumbrances

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

Reclassification

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

**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, 2008, the City's budget had been amended.
5. The City allows all unencumbered and unexpended appropriations to lapse at year end.

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

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

**NOTE C - CASH AND INVESTMENTS**

As of June 30, 2008 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Treasury Money Market Fund	<u>\$ 356,765</u>	AAA

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

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



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

**NOTE C - CASH AND INVESTMENTS (Continued)**

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

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2008, \$1,009,995 of the City's bank balance of \$1,886,137 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

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

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

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units	Fiduciary Funds
Unrestricted	\$ 665,731	\$ 96,271	\$ 762,002	\$ 198,457	\$ 0
Restricted Cash	171,380	114,948	286,328	0	74,732
Total Cash and Cash Equivalents	837,111	211,219	1,048,330	198,457	74,732
Unrestricted Investments	15,548	145,871	161,419	0	0
Restricted Investments	0	100,861	100,861	0	94,485
Total Investments	15,548	246,732	262,280	0	94,485
Total deposits and investments	\$ 852,659	\$ 457,951	\$ 1,310,610	\$ 198,457	\$ 169,217

As of June 30, 2008 the City had the following investments:

Investment Type	Fair Value	Rating
Accrued Interest	\$ 2,232	AAA
Federal Government Obligations	159,008	AAA
US Government Agencies	105,525	AAA
Bank Certificates over one year	90,000	AAA
TOTAL	\$ 356,765	

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

**NOTE D - TRANSFERS AND INTERFUND BALANCES**

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

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$ 632,039	Major Street	\$ 72,475
		Local Street	174,452
		Parking Meter	5,300
		Transit	20,317
		Sewer	44,575
		Water	336,425
Major	21,505		
TOTALS	<u>\$ 653,544</u>	TOTALS	<u>\$ 653,544</u>

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

The amounts of interfund receivables and payables at June 30, 2008 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 69,110	Residential Capital	\$ 69,000
		Major	10
		Sewer	100
Subtotal	<u>69,110</u>	Subtotal	<u>69,110</u>
Local Street	134,192	General	134,192
Subtotal	<u>134,192</u>	Subtotal	<u>134,192</u>
Employee Benefits	185,512	General	175,742
		Parking	1,436
		Residential Capital	8,334
Subtotal	<u>185,512</u>	Subtotal	<u>185,512</u>
Motor Vehicle	634,301	General	36,172
		Major	87,287
		Local Street	367,130
		Sewer	1,360
		Water	111,945
		Residential Capital	30,407
Subtotal	<u>634,301</u>	Subtotal	<u>634,301</u>
TOTALS	<u>\$ 1,023,115</u>	TOTALS	<u>\$ 1,023,115</u>

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

**NOTE E - RECEIVABLES**

The detail of receivables at June 30, 2008 are as follows:

Receivables	General	Special Revenue	Internal Service	Enterprise	Total Primary Government
Accounts	\$ 24,082	\$ 0	\$ 1,142	\$ 87,182	\$ 112,406
Taxes	47,173	78,058	0	0	125,231
Total receivables	<u>\$ 71,255</u>	<u>\$ 78,058</u>	<u>\$ 1,142</u>	<u>\$ 87,182</u>	<u>\$ 237,637</u>

**NOTE F - CAPITAL ASSETS**

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

	Balance 6/30/07	Additions	Subtractions	Balance 6/30/08
Land	\$ 163,800	\$ 136,870	\$ 0	\$ 300,670
Depreciable Capital Assets				
Buildings	2,094,777	7,800	0	2,102,577
Equipment	282,452	162,226	0	444,678
Improvements	1,366,396	396,601	0	1,762,997
Vehicles	2,371,743	66,155	0	2,437,898
Subtotal	<u>6,115,368</u>	<u>\$ 769,652</u>	<u>\$ 0</u>	<u>6,748,150</u>
Accumulated Depreciation				
Buildings	(798,985)	\$ (53,175)	\$ 0	(852,160)
Equipment	(200,656)	(38,547)	0	(239,203)
Improvements	(484,933)	(71,674)	0	(556,607)
Vehicles	(1,539,099)	(141,344)	0	(1,680,443)
Subtotal	<u>(3,023,673)</u>	<u>\$ (304,740)</u>	<u>\$ 0</u>	<u>(3,328,413)</u>
Net depreciable capital assets	<u>3,091,695</u>			<u>3,419,737</u>
Net capital assets	<u>\$ 3,255,495</u>			<u>\$ 3,720,407</u>

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

General Fund	\$ 152,000
DDA	1,102
Major Streets Fund	40,591
Local Streets Fund	12,000
Motor Vehicle Fund	99,047
	<u>\$ 304,740</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

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

The components of property, plant, and equipment in City proprietary funds at June 30, 2008 are summarized as follows:

PARKING METER FUND		Beginning	Additions	Deletions	Ending
Equipment		\$ 30,893	\$ 0	\$ 0	\$ 30,893
	Subtotal	<u>30,893</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>30,893</u>
Accumulated depreciation:					
Equipment		30,893	\$ 0	\$ 0	30,893
	Subtotal	<u>30,893</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>30,893</u>
Net capital assets		<u>\$ 0</u>			<u>\$ 0</u>
TRANSIT FUND		Beginning	Additions	Deletions	Ending
Equipment		\$ 3,221	\$ 0	\$ 0	\$ 3,221
Vehicles		85,896	175,464	0	261,360
	Subtotal	<u>89,117</u>	<u>\$ 175,464</u>	<u>\$ 0</u>	<u>264,581</u>
Accumulated depreciation:					
Equipment		1,606	\$ 460	\$ 0	2,066
Vehicles		81,601	13,068	0	94,669
	Subtotal	<u>83,207</u>	<u>\$ 13,528</u>	<u>\$ 0</u>	<u>96,735</u>
Net capital assets		<u>\$ 5,910</u>			<u>\$ 167,846</u>
SEWER DISPOSAL FUND		Beginning	Additions	Deletions	Ending
Buildings		\$ 754,725	\$ 0	\$ 0	\$ 754,725
Utility system		5,033,179	0	0	5,033,179
	Subtotal	<u>5,787,904</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>5,787,904</u>
Accumulated depreciation:					
Buildings		575,477	\$ 18,868	\$ 0	594,345
Utility system		3,968,850	79,989	0	4,048,839
	Subtotal	<u>4,544,327</u>	<u>\$ 98,857</u>	<u>\$ 0</u>	<u>4,643,184</u>
Net capital assets		<u>\$ 1,243,577</u>			<u>\$ 1,144,720</u>
WATER SUPPLY FUND		Beginning	Additions	Deletions	Ending
Buildings		\$ 1,645,692	\$ 0	\$ 0	\$ 1,645,692
Equipment		13,383	0	0	13,383
Construction in progress		0	425,258	0	425,258
Land		0	73,500	0	73,500
Loan fees/lease		238,496	0	0	238,496
Utility system		3,783,696	0	0	3,783,696
	Subtotal	<u>5,681,267</u>	<u>\$ 498,758</u>	<u>\$ 0</u>	<u>6,180,025</u>
Accumulated depreciation:					
Buildings		1,645,692	\$ 0	\$ 0	1,645,692
Equipment		3,346	1,338	0	4,684
Loan fees/lease		139,846	5,189	0	145,035
Utility system		1,506,171	99,905	0	1,606,076
	Subtotal	<u>3,295,055</u>	<u>\$ 106,432</u>	<u>\$ 0</u>	<u>3,401,487</u>
Net capital assets		<u>\$ 2,386,212</u>			<u>\$ 2,778,538</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

**NOTE G - RESTRICTED ASSETS AND RESERVE FUND/EQUITY BALANCES**

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 \$34,854 represents the balance of the commercial loan program. As of June 30, 2008, there were no outstanding loan balances.

Water Fund: 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 \$301,176 as of June 30, 2008. Use of these restricted assets are limited by applicable bond indentures and ordinances.

Internal Service Funds: The Employee Benefit Fund has restricted assets of \$1,681 as of June 30, 2008.

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

<u>General Fund</u>		<u>Other Funds</u>		<u>Enterprise Funds</u>	
Dupee Shaft	\$ 23,909	CDBG	\$ 103,027	Water Fund	\$ 209,009
Main Street Local Pool	34,854	Debt Retirement	<u>1,818</u>		
Perry House	274	Subtotal	104,845		
Civic Flowers	1,977				
Parks Round Up	3,545	Employee benefits	1,681		
Sister City	142				
Maasto Hiihto	<u>153</u>				
	<u>\$ 64,854</u>		<u>\$ 106,526</u>		<u>\$ 209,009</u>

The Cemetery Perpetual Care Trust balance of \$168,858 is reserved for the perpetual care payments.

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

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

Accumulated unpaid vacation and sick leave at June 30, 2008 was \$94,667 and \$280,267, respectively.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

**NOTE I - LONG-TERM DEBT**

**GOVERNMENTAL ACTIVITIES**

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

SCHEDULE OF 1997 BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 15,000	\$ 22,500	\$ 37,500
2009-10	15,000	21,875	36,875
2010-11	15,000	21,125	36,125
2011-12	15,000	20,375	35,375
2012-13	15,000	19,625	34,625
2013-14	15,000	18,875	33,875
2014-15	20,000	18,125	38,125
2015-16	20,000	17,250	37,250
2016-17	20,000	16,250	36,250
2017-18	20,000	15,250	35,250
2018-19	20,000	14,250	34,250
2019-24	130,000	54,250	184,250
2024-28	125,000	19,875	144,875
<b>TOTALS</b>	<u>\$ 445,000</u>	<u>\$ 279,625</u>	<u>\$ 724,625</u>

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

SCHEDULE OF 1998 BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 25,000	\$ 42,252	\$ 67,252
2009-10	26,000	41,112	67,112
2010-11	28,000	39,900	67,900
2011-12	29,000	38,618	67,618
2012-13	31,000	37,264	68,264
2013-14	32,000	35,839	67,839
2014-15	34,000	34,343	68,343
2015-16	36,000	32,775	68,775
2016-17	38,000	31,113	69,113
2017-18	41,000	29,355	70,355
2018-23	240,000	116,447	356,447
2023-28	318,000	55,813	373,813
<b>TOTALS</b>	<u>\$ 878,000</u>	<u>\$ 534,831</u>	<u>\$ 1,412,831</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

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

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

**SCHEDULE OF USDA COMMUNITY FACILITIES LOAN**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 30,000	\$ 20,539	\$ 50,539
2009-10	31,000	19,231	50,231
2010-11	32,000	17,880	49,880
2011-12	33,000	16,487	49,487
2012-13	35,000	15,029	50,029
2013-14	35,000	13,528	48,528
2014-15	37,000	11,984	48,984
2015-16	39,000	10,355	49,355
2016-17	41,000	8,640	49,640
2017-18	43,000	6,839	49,839
2018-19	45,000	4,952	49,952
2019-20	46,000	3,001	49,001
2020-21	47,000	1,008	48,008
<b>TOTALS</b>	<b>\$ 494,000</b>	<b>\$ 149,473</b>	<b>\$ 643,473</b>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

2008A Building Authority Bonds: On June 18, 2008, the City of Hancock Building Authority authorized the issuance of general obligation bonds in the amount of \$500,000 to fund City Hall Renovations. As of June 30, 2008, \$29,000 of the bonds was issued at an interest rate of 4.125% per annum with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1.

SCHEDULE OF 2008A BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 8,000	\$ 12,083	\$ 20,083
2009-10	9,000	20,295	29,295
2010-11	9,000	19,924	28,924
2011-12	9,000	19,553	28,553
2012-13	10,000	19,181	29,181
2013-14	10,000	18,769	28,769
2014-15	11,000	18,356	29,356
2015-16	11,000	17,903	28,903
2016-17	12,000	17,449	29,449
2017-18	12,000	16,954	28,954
2018-23	71,000	76,643	147,643
2023-28	87,000	60,761	147,761
2028-33	108,000	41,085	149,085
2033-37	133,000	16,995	149,995
<b>TOTALS</b>	<b>\$ 500,000</b>	<b>\$ 375,951</b>	<b>\$ 875,951</b>

2008B Building Authority Bonds: On June 18, 2008, the City of Hancock Building Authority authorized the issuance of general obligation bonds in the amount of \$104,000 to fund City Hall Renovations. As of June 30, 2008, \$21,000 of the bonds was issued at an interest rate of 4.5% per annum with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1.

SCHEDULE OF 2008B BUILDING AUTHORITY BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 2,000	\$ 4,110	\$ 6,110
2009-10	2,000	4,590	6,590
2010-11	2,000	4,500	6,500
2011-12	2,000	4,410	6,410
2012-13	2,000	4,320	6,320
2013-14	2,000	4,230	6,230
2014-15	2,000	4,140	6,140
2015-16	2,000	4,050	6,050
2016-17	2,000	3,960	5,960
2017-18	3,000	3,870	6,870
2018-23	15,000	17,325	32,325
2023-28	18,000	13,815	31,815
2028-33	22,000	9,405	31,405
2033-37	28,000	3,915	31,915
<b>TOTALS</b>	<b>\$ 104,000</b>	<b>\$ 86,640</b>	<b>\$ 190,640</b>



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

**ENTERPRISE FUNDS**

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

<u>1997 WATER SUPPLY SYSTEM REVENUE BONDS</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 19,000	\$ 51,100	70,100
2009-10	20,000	50,268	70,268
2010-11	21,000	49,390	70,390
2011-12	22,000	48,468	70,468
2012-13	23,000	47,500	70,500
2013-14	24,000	46,488	70,488
2014-15	25,000	45,430	70,430
2015-16	26,000	44,328	70,328
2016-17	27,000	43,180	70,180
2017-18	29,000	41,988	70,988
2018-23	165,000	189,847	354,847
2023-28	210,000	149,750	359,750
2028-33	262,000	99,103	361,103
2033-38	<u>253,562</u>	<u>35,889</u>	<u>289,451</u>
<b>TOTALS</b>	<u>\$ 1,126,562</u>	<u>\$ 942,729</u>	<u>\$ 2,069,291</u>

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

<u>SCHEDULE OF 1998 WATER SUPPLY SYSTEM REVENUE BONDS</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 7,000	\$ 19,845	\$ 26,845
2009-10	8,000	19,530	27,530
2010-11	8,000	19,170	27,170
2011-12	8,000	18,810	26,810
2012-13	9,000	18,450	27,450
2013-14	9,000	18,045	27,045
2014-15	10,000	17,640	27,640
2015-16	10,000	17,190	27,190
2016-17	10,000	16,740	26,740
2017-18	11,000	16,290	27,290
2018-23	59,000	73,890	132,890
2023-28	77,000	59,085	136,085
2028-33	95,000	40,275	135,275
2033-38	<u>120,000</u>	<u>16,650</u>	<u>136,650</u>
<b>TOTALS</b>	<u>\$ 441,000</u>	<u>\$ 371,610</u>	<u>\$ 812,610</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 10,000	\$ 3,250	\$ 13,250
2009-10	10,000	2,750	12,750
2010-11	10,000	2,250	12,250
2011-12	10,000	1,750	11,750
2012-13	10,000	1,250	11,250
2013-14	15,000	750	15,750
<b>TOTALS</b>	<b>\$ 65,000</b>	<b>\$ 12,000</b>	<b>\$ 77,000</b>

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, 2008 \$498,758 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.

**SCHEDULE OF 2008 WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 0	\$ 91,625	\$ 91,625
2009-10	85,000	91,625	176,625
2010-11	85,000	89,500	174,500
2011-12	90,000	87,375	177,375
2012-13	90,000	85,125	175,125
2013-14	90,000	82,875	172,875
2014-15	95,000	80,625	175,625
2015-16	95,000	78,250	173,250
2016-17	100,000	75,875	175,875
2017-18	100,000	73,375	173,375
2018-23	545,000	327,750	872,750
2023-28	620,000	255,875	875,875
2028-33	705,000	174,500	879,500
2033-38	795,000	81,875	876,875
2038-39	170,000	4,250	174,250
<b>TOTALS</b>	<b>\$ 3,665,000</b>	<b>\$ 1,680,500</b>	<b>\$ 5,345,500</b>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

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

**INTERNAL SERVICE FUNDS - INSTALLMENT LOANS**

<u>Purpose of Note</u>	<u>Date</u>	<u>Original</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Current Portion</u>
Sander and dump truck	10/01/04	\$ 161,496	09/30/10	3.6%	\$ 84,961	\$ 27,321
Cat backhoe	08/17/05	\$ 44,345	08/17/09	4.3%	\$ 27,671	\$ 8,915
Cat end loader	12/21/07	\$ 150,065	12/01/13	3.85%	\$150,065	\$ 25,011

As of June 30, 2008, the aggregate maturities of loans payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 61,247	\$ 9,702	\$ 70,949
2009-10	72,079	7,688	79,767
2010-11	54,336	4,904	59,240
2011-12	25,011	2,889	27,900
2012-13	25,011	1,926	26,937
2013-14	25,011	963	25,974
<b>TOTALS</b>	<b>\$ 262,695</b>	<b>\$ 28,072</b>	<b>\$ 290,767</b>

Changes in long-term debt principal are summarized below:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>06/30/08</u>	<u>Current</u> <u>Maturities</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Building Authority Bonds - 1997	\$ 455,000	\$ 0	\$ 10,000	\$ 445,000	\$ 15,000
Building Authority Bonds - 1998	901,000	0	23,000	878,000	25,000
USDA Community Facilities Loan	522,000	0	28,000	494,000	30,000
Building Authority Bonds - 2008	0	29,000	0	29,000	8,000
Building Authority Bonds - 2008	0	21,000	0	21,000	2,000
	<u>1,878,000</u>	<u>61,000</u>	<u>61,000</u>	<u>1,867,000</u>	<u>80,000</u>
<b>ENTERPRISE FUNDS</b>					
Water System Bonds - 1997	1,144,562	0	18,000	1,126,562	19,000
Water System Bonds - 1998	448,000	0	7,000	441,000	7,000
Sewage Disposal Bonds - 1976	75,000	0	10,000	65,000	10,000
Water Supply System Bond	0	498,758	0	498,758	0
	<u>1,667,562</u>	<u>498,758</u>	<u>35,000</u>	<u>2,131,320</u>	<u>36,000</u>
<b>INTERNAL SERVICE FUND</b>					
Installment Loans	164,014	150,065	51,384	262,695	61,247
<b>TOTALS</b>	<b>\$ 3,709,576</b>	<b>\$ 709,823</b>	<b>\$ 147,384</b>	<b>\$ 4,261,015</b>	<b>\$ 177,247</b>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

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

<u>GOVERNMENTAL ACTIVITIES</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 80,000	\$ 101,484	\$ 181,484
2009-10	83,000	107,103	190,103
2010-11	86,000	103,329	189,329
2011-12	88,000	99,443	187,443
2012-13	93,000	95,419	188,419
2013-14	94,000	91,241	185,241
2014-15	104,000	86,948	190,948
2015-16	108,000	82,333	190,333
2016-17	113,000	77,412	190,412
2017-18	119,000	81,204	200,204
2018-23	584,000	279,501	863,501
2023-28	578,000	158,639	736,639
2038-33	130,000	50,490	180,490
2033-38	161,000	20,910	181,910
<b>TOTALS</b>	<b>\$ 2,421,000</b>	<b>\$ 1,435,456</b>	<b>\$ 3,856,456</b>

<u>INTERNAL SERVICE FUNDS</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 61,247	\$ 9,319	\$ 70,566
2009-10	72,079	6,884	78,963
2010-11	54,336	4,904	59,240
2011-12	25,011	2,889	27,900
2012-13	25,011	1,925	25,973
2013-14	25,011	962	289,578
<b>TOTALS</b>	<b>\$ 262,695</b>	<b>\$ 26,883</b>	<b>\$ 289,578</b>

<u>ENTERPRISE FUNDS</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-09	\$ 36,000	\$ 165,820	\$ 201,820
2009-10	123,000	164,173	287,173
2010-11	124,000	160,310	284,310
2011-12	130,000	156,403	286,403
2012-13	132,000	152,325	284,325
2013-14	138,000	148,158	286,158
2014-15	130,000	143,695	273,695
2015-16	131,000	139,768	270,768
2016-17	137,000	135,795	272,795
2017-18	140,000	131,653	271,653
2018-23	769,000	591,487	1,360,487
2023-28	907,000	464,710	1,371,710
2028-33	1,062,000	313,878	1,375,878
2033-38	1,168,562	134,414	1,302,976
2038-39	170,000	4,250	174,250
<b>TOTALS</b>	<b>\$ 5,297,562</b>	<b>\$ 3,006,839</b>	<b>\$ 8,304,401</b>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

**NOTE J - ENTERPRISE FUNDS**

SEGMENT INFORMATION - The City maintains four Enterprise Funds which provide water, sewer, parking, and transit services. Segment information for the year ended June 30, 2008 is as follows:

	<u>Parking Meter</u>	<u>Transit</u>	<u>Sewer</u>	<u>Water</u>
Operating revenues	\$ 12,095	\$ 294,702	\$ 599,545	\$ 703,331
Depreciation	\$ 0	\$ 13,528	\$ 98,858	\$ 106,432
Income (loss) from operations	\$ (7,727)	\$ 161,483	\$ (134,239)	\$ (2,443)
Non-operating revenues	\$ 5,343	\$ 20,654	\$ 51,890	\$ 347,668
Non-operating expenses	\$ 0	\$ 0	\$ 3,750	\$ (71,261)
Net Income (loss)	\$ (2,384)	\$ 182,137	\$ (86,099)	\$ 273,964
Property, plant & equipment				
Additions	\$ 0	\$ 175,464	\$ 0	\$ 498,758
Total assets	\$ 2,395	\$ 182,572	\$ 1,416,093	\$ 3,113,566
Net working capital surplus (deficit)	\$ (511)	\$ (8,974)	\$ (208,009)	\$ (157,007)
Long-term liabilities:				
Payable from operating revenues	\$ 0	\$ 0	\$ 55,000	\$ 2,040,320
Invested in capital assets, net of related debt				
Contributed capital	\$ 0	\$ 175,464	\$ 0	\$ 0
Reserved net assets		\$ 0	\$ 0	\$ 209,009
Unrestricted net assets	\$ 511	\$ 1,356	\$ 1,297,729	\$ 686,216
Total net assets	\$ 511	\$ 176,820	\$ 1,297,729	\$ 895,225
Net cash provided (used) by:				
Operating activities	\$ (7,554)	\$ 178,926	\$ 30,940	\$ 167,254
Noncapital financing activities	\$ 6,710	\$ 317	\$ (17,710)	\$ (46,524)
Capital & related financing activities	\$ 0	\$ (175,464)	\$ (13,750)	\$ (86,261)
Investing activities	\$ 2,315	\$ 12,211	\$ 55,416	\$ 133,662
Beginning cash	\$ 3,116	\$ 8,095	\$ 54,275	\$ 109,609
Ending cash	\$ 2,315	\$ 12,211	\$ 55,416	\$ 133,662

**NOTE K - RESERVES AND RESTRICTED ASSETS**

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

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

At June 30, 2008, the City had established these accounts and had restricted cash, as required, as follows:

	Required <u>06/30/08</u>	Amount <u>Funded</u>
Bond reserve account	\$ 89,280	\$ 97,682
Bond and interest redemption account	23,921	29,935
Repair & Replacement account	<u>102,330</u>	<u>81,392</u>
	<u>\$ 215,531</u>	<u>\$ 209,009</u>

**NOTE L - TRANSIT FUND**

The 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 the Bus Transit Division of MDOT administer the audit disclosures and compliance requirements.

**NOTE M - TAX INCREMENT FINANCING**

The City had three tax increment financing districts at June 30, 2008, the Downtown Development District (DDD), the Elevation Street City (ESD), and the MTEPS (Smart Zone) City. The taxes on the DDD and the ESD Cities are levied based on the increase of the state equalized value of the properties from the base year to the current year and are levied on both real and personal property. The DDD expanded the base year in 1993 from the 1984 initial base year. The tax revenues generated from the DDD and the ESD are recorded in the Downtown Development Authority Fund and Elevation Street TIFA Fund respectively.

On April 11, 2001, The Michigan Economic Development Corporation approved the application for a Smart Park that was submitted by the Michigan Tech Enterprise Smart Zone (MTEPS). The MTEPS is a partnership between Michigan Technological University, the City of Hancock and the City of Houghton. The MTEPS will be funded for the first 2 years by a state grant. Thereafter, it will be funded through a tax increment financing City which includes the entire Cities of Hancock and Houghton. The tax is levied annually with the school millage only and will continue until the year 2017. The Smart Zone TIF plan will not affect either City's current tax revenue. The tax revenue levied for the summer 2008 Smart Zone was collected and paid in full to the MTEPS as of June 30, 2008, via the Local Development Finance Authority – the financing entity.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

**NOTE M - TAX INCREMENT FINANCING - (Continued)**

Summary of TIF City data as of June 30, 2008:

	Downtown Development	TIF District	
		Local Street (Elevation)	MTEPS
Base year	1984	1993	1999
State Equalized Value (SEV) base year			
Real property	\$ 9,668,400	\$ 143,000	\$ 46,154,938
Personal property	\$ 0	\$ 0	\$ 2,788,815
Current year SEV			
Real property	\$ 13,901,342	\$ 1,087,738	\$ 66,290,599
Personal property	\$ 0	\$ 144,295	\$ 4,269,854
Increase (Decrease) of taxable value			
Real	\$ 4,233,442	\$ 944,758	\$ 20,135,661
Personal property	\$ 0	\$ 144,295	\$ 1,481,039
Authorized tax mills levied-Homestead	24.4229	21.8512	3.0
Non-homestead	0	0	11.94870
Tax revenue collected	\$ 103,393	\$ 23,797	\$ 108,461

**NOTE N - PENSION PLAN**

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

*Funding Policy:* The City is required to contribute to the plan at an actuarially determined rate. The current rate, as a percent of annual covered payroll, is 7.9%. Plan members are required to contribute 3.3% of their annual covered salary. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

*Annual Pension Cost:* For the year ended June 30, 2008, the City's required and actual pension cost was \$48,522. The annual required contribution percentage was determined as a part of the actuarial valuation on December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include a net investment rate of return on assets of 8 percent per year compounded annually, projected salary increases of 4.5 percent per year compounded annually due to inflation, and additional projected salary increases ranging from 0 to 4.5 percent per year depending on an age to reflect merit and longevity. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. Any unfunded actuarial liability is amortized by a level percent of payroll contributions over a period of 30 years.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2008**

---

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

*Three-year Trend Information:*

<u>Fiscal Year Ended March 31</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost (APC)	\$ 52,055	\$ 52,093	\$ 48,522
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0

	<u>Valuation as of December 31</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 774,457	\$ 966,625	\$ 1,134,033
Actuarial accrued liability (entry age)	\$1,158,166	\$ 1,336,379	\$ 1,514,031
Unfunded actuarial liability (UAAL)	\$ 383,709	\$ 369,754	\$ 379,998
Funded ratio	67%	72%	75%
Covered payroll	\$ 538,455	\$ 525,834	\$ 588,460
UAAL as a percentage of covered payroll	71%	70%	65%

The unfunded accrued liability of the plan as of December 31, 2007 was \$379,998.

**DEFINED CONTRIBUTION PENSION UNION AGREEMENT**

The City provides pension benefits for all Teamster employees per the signed union bargaining agreement. For the year ending June 30, 2008, the City made weekly contributions of \$69 per week, per participant to a defined contribution plan based on years of service. In May of 2008 a surcharge of \$3 was added per week, per participant, increasing the contribution to \$72.

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

**NOTE O - DEFERRED COMPENSATION PLAN**

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

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

**NOTE P - DEFICIT FUND BALANCE**

The financial statements for the Major Street Fund, Local Street Fund, and Residential Capital Projects Fund had fund deficits at June 30, 2008 of \$39,356, \$131,648, and \$75,671 respectively.

**NOTE Q - SUBSEQUENT EVENTS**

In November of 2008 the City purchased a Vactor Truck in the amount of \$124,900 with a 7 year loan at 3.55% through Superior National Bank.



**NOTE R - 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, 2008, The City of Hancock owed Portage Lake Water and Sewage Authority \$47,378, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due to other governmental units.

**NOTE S - RISK MANAGEMENT**

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

**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**

**CITY OF HANCOCK**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
<b>REVENUES:</b>				
Local sources	\$ 1,839,969	\$ 1,860,753	\$ 1,862,263	\$ 1,510
State sources	536,634	482,900	473,737	(9,163)
Federal sources	-	33,000	33,000	(0)
<b>TOTAL REVENUE</b>	<b>2,376,603</b>	<b>2,376,653</b>	<b>2,369,000</b>	<b>(7,653)</b>
<b>EXPENDITURES:</b>				
General government				
Board/Legislative	12,168	12,168	131,002	(118,834)
Manager	88,307	88,307	99,231	(10,924)
Clerk	67,235	67,235	62,823	4,412
Treasurer	46,225	46,225	49,044	(2,819)
Legal, accounting, and audit	29,500	29,500	20,583	8,917
Assessor	27,726	27,726	26,696	1,030
Planning and professional services	15,967	15,967	14,099	1,868
Elections	7,026	7,026	8,568	(1,542)
Building and grounds	20,360	20,360	69,078	(48,718)
Cemetery	42,333	42,333	44,595	(2,262)
Public safety	710,321	710,321	719,444	(9,123)
Public works	179,515	179,515	188,440	(8,925)
Sanitation	288,047	288,047	294,139	(6,092)
Recreation and culture	149,231	149,231	144,923	4,308
Debt service	49,782	49,782	49,590	192
Inventory sand/Calcium	33,150	33,150	-	33,150
Other	64,498	85,078	86,932	(1,854)
<b>TOTAL EXPENDITURES</b>	<b>1,831,391</b>	<b>1,851,971</b>	<b>2,009,187</b>	<b>(157,216)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>545,212</b>	<b>524,682</b>	<b>359,813</b>	<b>(164,869)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	2,500	2,500	52,488	49,988
Operating transfers out	(632,045)	(632,045)	(632,039)	6
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (84,333)</b>	<b>\$ (104,863)</b>	<b>(219,738)</b>	<b>\$ (114,875)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>551,388</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 331,650</b>	

**CITY OF HANCOCK**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State and federal	\$ 535,476	\$ 535,476	\$ 850,432	\$ 314,956
Interest	1,231	1,231	1,122	(109)
Other revenue	1,000	1,000	997	(3)
<b>TOTAL REVENUE</b>	<u>537,707</u>	<u>537,707</u>	<u>852,551</u>	<u>314,844</u>
EXPENDITURES:				
General government administration	18,981	18,980	19,548	(568)
Highway and streets:				
Construction	57,146	57,146	428,433	(371,287)
State trunkline maintenance	253,287	253,287	242,661	10,626
Routine maintenance	42,626	42,626	25,671	16,955
Traffic services	3,713	3,713	3,712	1
Snow and ice control	156,085	156,085	159,681	(3,596)
Sweeping and flushing	1,500	1,500	696	804
<b>TOTAL EXPENDITURES</b>	<u>533,338</u>	<u>533,337</u>	<u>880,402</u>	<u>(347,065)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,369	4,370	(27,851)	(32,221)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	72,475	72,475	72,475	
Operating transfers out	(21,505)	(21,505)	(21,505)	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 55,339</u>	<u>\$ 55,340</u>	23,119	<u>\$ (32,221)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>(62,475)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (39,356)</u>	

**CITY OF HANCOCK**  
**BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 93,636	\$ 93,636	\$ 78,013	\$ (15,623)
State and federal	191,825	191,825	149,064	(42,761)
Interest	400	400	389	(11)
Other revenue	-	-	-	-
<b>TOTAL REVENUE</b>	<b><u>285,861</u></b>	<b><u>285,861</u></b>	<b><u>227,466</u></b>	<b><u>(58,395)</u></b>
EXPENDITURES:				
General government administration	5,939	6,777	6,857	(80)
Highway and streets:				
Construction	136,745	136,745	129,198	7,547
Routine maintenance	71,440	71,440	93,363	(21,923)
Traffic services	3,436	3,436	4,242	(806)
Snow and ice control	210,275	210,275	227,887	(17,612)
Sweeping and flushing	2,900	2,900	3,264	(364)
<b>TOTAL EXPENDITURES</b>	<b><u>430,735</u></b>	<b><u>431,573</u></b>	<b><u>464,811</u></b>	<b><u>(33,238)</u></b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(144,874)	(145,712)	(237,345)	(91,633)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	174,452	174,452	174,452	
Operating transfers out	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ 29,578</u></b>	<b><u>\$ 28,740</u></b>	<b><u>(62,893)</u></b>	<b><u>\$ (91,633)</u></b>
FUND BALANCE - BEGINNING OF YEAR			<u>(68,755)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (131,648)</u>	

**SUPPLEMENTAL FINANCIAL INFORMATION**

**CITY OF HANCOCK**  
**GENERAL FUND**  
**BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 413,562	\$ 68,019
Investments	15,548	28,039
Receivables		
Delinquent taxes	47,173	46,179
Service customers (includes unbilled)	12,728	18,258
Other	11,354	21,324
Due from other funds	69,110	322,578
Due from fiduciary funds	-	4,882
Due from government units	57,700	62,467
Prepaid expenses	38,028	35,468
Inventory	19,215	30,684
Restricted cash	<u>64,854</u>	<u>60,774</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 749,272</u></b>	<b><u>\$ 698,672</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 55,353	\$ -
Accrued expenses	16,163	12,024
Due to other funds	<u>346,106</u>	<u>135,260</u>
<b>TOTAL LIABILITIES</b>	<b><u>417,622</u></b>	<b><u>147,284</u></b>
<b>FUND BALANCES:</b>		
Reserved	64,854	60,774
Unreserved	<u>266,796</u>	<u>490,614</u>
<b>TOTAL FUND BALANCES</b>	<b><u>331,650</u></b>	<b><u>551,388</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 749,272</u></b>	<b><u>\$ 698,672</u></b>

**CITY OF HANCOCK**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

**With Comparative Actual Amounts for Year Ended June 30, 2007**

REVENUES:	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
Current taxes:				
Property taxes	\$ 903,625	\$ 904,236	\$ (611)	\$ 848,684
Personal property taxes	59,503	59,403	100	66,430
Penalties & interest on tax	5,890	6,435	(545)	6,679
Payments in lieu of tax	12,200	12,389	(189)	12,539
Tax administration fees	<u>37,200</u>	<u>37,305</u>	<u>(105)</u>	<u>34,065</u>
Total current taxes	<u>1,018,418</u>	<u>1,019,768</u>	<u>(1,350)</u>	<u>968,397</u>
State and federal revenue:				
Federal Grant	33,000	33,000	-	-
Police training	1,000	1,866	(866)	1,847
USDA Grant	-	-	-	3,000
Sales tax	477,350	467,326	10,024	466,964
Liquor tax	<u>4,550</u>	<u>4,545</u>	<u>5</u>	<u>4,376</u>
Total state and federal revenue	<u>515,900</u>	<u>506,737</u>	<u>9,163</u>	<u>476,187</u>
Charges for services:				
Vault service	2,850	2,805	45	2,720
Burial open and close	11,000	9,550	1,450	8,550
Garbage collection	164,000	155,909	8,091	162,794
Campground revenue	62,736	70,032	(7,296)	62,395
Beach rental fees	816	900	(84)	750
Other charges	101,609	97,811	3,798	97,522
Cemetery lots	<u>5,684</u>	<u>3,775</u>	<u>1,909</u>	<u>8,050</u>
Total charges for services	<u>348,695</u>	<u>340,782</u>	<u>7,913</u>	<u>342,781</u>
Fines, forfeitures and penalties	<u>3,121</u>	<u>2,879</u>	<u>242</u>	<u>2,144</u>
Rentals:				
Interest income	30,724	30,781	(57)	29,635
Cemetery interest	1,200	1,329	(129)	1,266
Land rents	2,000	2,190	(190)	1,210
Office rental	<u>7,620</u>	<u>7,620</u>	<u>-</u>	<u>7,620</u>
Total Rentals	<u>41,544</u>	<u>41,920</u>	<u>(376)</u>	<u>39,731</u>
Other revenue:				
Sale of assets	429,500	425,005	4,495	87,521
Parks Round-up contributions	102	147	(45)	182
Sand and salt sales	100	77	23	455
Cable franchise fee	12,000	19,808	(7,808)	33,900
Reimbursement	5,100	9,598	(4,498)	6,217
Licenses and permits	50	590	(540)	570
Miscellaneous	<u>2,123</u>	<u>1,689</u>	<u>434</u>	<u>2,916</u>
Total other revenue	<u>448,975</u>	<u>456,914</u>	<u>(7,939)</u>	<u>131,761</u>
<b>TOTAL REVENUES</b>	<u><b>2,376,653</b></u>	<u><b>2,369,000</b></u>	<u><b>7,653</b></u>	<u><b>1,961,001</b></u>



**CITY OF HANCOCK**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended June 30, 2008**  
**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
<b>EXPENDITURES:</b>				
General government administration:				
Legislative	11,737	130,415	(118,678)	14,933
City manager	88,308	99,231	(10,923)	94,728
Planning and professional services	15,967	14,099	1,868	24,777
Clerk	67,234	62,823	4,411	51,439
Treasurer	46,225	49,044	(2,819)	49,367
Attorney	11,500	3,618	7,882	8,087
Assessor	27,726	26,696	1,030	32,582
Elections	7,026	8,568	(1,542)	13,595
Accounting and computer services	18,000	16,965	1,035	19,501
Board of review	431	587	(156)	787
Building and grounds	20,360	69,078	(48,718)	23,590
Cemetery	42,333	44,595	(2,262)	46,640
Total general government administration	<u>356,847</u>	<u>525,719</u>	<u>(168,872)</u>	<u>380,026</u>
Public safety:				
Police	633,553	644,774	(11,221)	569,291
Fire	76,768	74,670	2,098	66,983
Protective inspections	-	-	-	2,890
Total public safety	<u>710,321</u>	<u>719,444</u>	<u>(9,123)</u>	<u>639,164</u>
Public works:				
Department of public works	91,280	98,672	(7,392)	88,223
Winter maintenance	1,150	1,065	85	139
Equipment rental-street lighting	85,000	88,620	(3,620)	91,191
Sidewalks and curbs	2,085	83	2,002	3,421
Total public works	<u>179,515</u>	<u>188,440</u>	<u>(8,925)</u>	<u>182,974</u>
Sanitation:				
Garbage collection	165,824	168,483	(2,659)	151,575
Landfill	86,000	84,571	1,429	87,593
Spring and fall cleanup	36,224	41,085	(4,861)	39,204
Total sanitation	<u>288,048</u>	<u>294,139</u>	<u>(6,091)</u>	<u>278,372</u>
Culture and recreation:				
Parks	39,705	25,349	14,356	29,663
Water front development	7,200	6,515	685	2,106
Beach	19,689	18,037	1,652	17,400
Campground	65,020	77,053	(12,033)	61,864
Ski trails	10,556	10,758	(202)	17,124
Skating rinks	7,060	7,211	(151)	6,639
Total culture and recreation	<u>149,230</u>	<u>144,923</u>	<u>4,307</u>	<u>134,796</u>

**CITY OF HANCOCK**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended June 30, 2008**  
**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
Debt Service	49,782	49,590	192	53,291
Inventory sand/calcium	33,150	-	33,150	37
Other:				
Community promotion	49,008	51,317	(2,309)	41,253
Insurance	36,070	35,615	455	35,951
Total other	85,078	86,932	(1,854)	77,204
TOTAL EXPENDITURES	1,851,971	2,009,187	(157,216)	1,745,864
EXCESS OF REVENUES OVER EXPENDITURES	524,682	359,813	164,869	215,137
OTHER FINANCING SOURCES (USES):				
Loan proceeds	2,500	52,488	(49,988)	-
Operating transfers out	(632,045)	(632,039)	(6)	(171,853)
TOTAL OTHER FINANCING SOURCES (USES):	(629,545)	(579,551)	(49,994)	(171,853)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (104,863)</u>	(219,738)	<u>\$ 114,875</u>	43,284
FUND BALANCE, BEGINNING OF YEAR		551,388		508,104
FUND BALANCE, END OF YEAR		<u>\$ 331,650</u>		<u>\$ 551,388</u>

**CITY OF HANCOCK**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	Major Street	Local Street	Community Development Block Grant	Elevation Street TIF	Totals (Memorandum Only)	
					2008	2007
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 13,187	\$ 8,386	\$ 103,027	\$ 116,079	\$ 240,679	\$ 178,521
Taxes receivable	-	78,013	-	45	78,058	90,426
Due from other funds	-	134,192	-	-	134,192	99,000
Due from other governmental units	39,090	15,773	-	-	54,863	48,835
<b>Total assets</b>	<b>\$ 52,277</b>	<b>\$ 236,364</b>	<b>\$ 103,027</b>	<b>\$ 116,124</b>	<b>\$ 507,792</b>	<b>\$ 416,782</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ 2,229	\$ 134	\$ -	\$ -	\$ 2,363	\$ 24,544
Accrued expenses	2,107	748	-	-	2,855	1,204
Due to other funds	87,297	367,130	-	-	454,427	346,114
<b>Total liabilities</b>	<b>91,633</b>	<b>368,012</b>	<b>-</b>	<b>-</b>	<b>459,645</b>	<b>371,862</b>
<b>FUND EQUITY:</b>						
Fund Balance - Reserved	-	-	103,027	-	103,027	95,787
Fund Balance - Unreserved	(39,356)	(131,648)	-	116,124	(54,880)	(50,867)
<b>TOTAL FUND EQUITY</b>	<b>(39,356)</b>	<b>(131,648)</b>	<b>103,027</b>	<b>116,124</b>	<b>48,147</b>	<b>44,920</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 52,277</b>	<b>\$ 236,364</b>	<b>\$ 103,027</b>	<b>\$ 116,124</b>	<b>\$ 507,792</b>	<b>\$ 416,782</b>

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

**June 30, 2008**

	Major Street	Local Street	Community Development Block Grant	Elevation Street TIF	Totals (Memorandum Only)	
					2008	2007
REVENUES:						
Current taxes	\$ -	\$ 78,013	\$ -	\$ 23,797	\$ 101,810	\$ 113,482
State and Federal revenue	850,432	149,064	62,618	-	1,062,114	1,087,740
Interest	1,122	389	-	2,493	4,004	2,365
Other revenue	997	-	75,590	-	76,587	122,144
Total revenues	852,551	227,466	138,208	26,290	1,244,515	1,325,731
EXPENDITURES:						
General government administration	19,548	6,857	-	-	26,405	38,704
Highway and streets:						
Construction	428,433	129,198	-	-	557,631	306,358
State trunkline maintenance	242,661	-	-	-	242,661	212,980
Routine maintenance	25,671	93,363	-	-	119,034	168,896
Traffic services	3,712	4,242	-	-	7,954	20,370
Snow and ice control	159,681	227,887	-	-	387,568	311,783
Sweeping and flushing	696	3,264	-	-	3,960	4,020
State grant expenditures	-	-	121,497	-	121,497	485,740
Total expenditures	880,402	464,811	121,497	-	1,466,710	1,548,851
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(27,851)	(237,345)	16,711	26,290	(222,195)	(223,120)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	50,970	174,452	-	-	225,422	82,541
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	23,119	(62,893)	16,711	26,290	3,227	(140,579)
FUND BALANCE, BEGINNING OF YEAR	(62,475)	(68,755)	86,316	89,834	44,920	185,499
FUND BALANCE, END OF YEAR	\$ (39,356)	\$ (131,648)	\$ 103,027	\$ 116,124	\$ 48,147	\$ 44,920

**CITY OF HANCOCK**  
**MAJOR STREET FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
State and federal	\$ 535,476	\$ 850,432	\$ (314,956)	\$ 560,747
Interest	1,231	1,122	109	843
Other revenue	<u>1,000</u>	<u>997</u>	<u>3</u>	<u>1,008</u>
TOTAL REVENUES	<u>537,707</u>	<u>852,551</u>	<u>(314,844)</u>	<u>562,598</u>
EXPENDITURES:				
General government administration	<u>18,980</u>	<u>19,548</u>	<u>(568)</u>	<u>32,208</u>
Highway and streets:				
Construction	57,146	428,433	(371,287)	217,628
State trunkline maintenance	253,287	242,661	10,626	212,980
Routine maintenance	42,626	25,671	16,955	22,297
Traffic services	3,713	3,712	1	14,359
Snow and ice control	156,085	159,681	(3,596)	148,622
Sweeping and flushing	<u>1,500</u>	<u>696</u>	<u>804</u>	<u>695</u>
Total highway and streets	<u>514,357</u>	<u>860,854</u>	<u>(346,497)</u>	<u>616,581</u>
TOTAL EXPENDITURES	<u>533,337</u>	<u>880,402</u>	<u>(347,065)</u>	<u>648,789</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,370</u>	<u>(27,851)</u>	<u>32,221</u>	<u>(86,191)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	72,475	72,475	-	-
Operating transfers out	<u>(21,505)</u>	<u>(21,505)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>50,970</u>	<u>50,970</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 55,340</u>	23,119	<u>\$ 32,221</u>	(86,191)
FUND BALANCE, BEGINNING OF YEAR		<u>(62,475)</u>		<u>23,716</u>
FUND BALANCE, END OF YEAR		<u>\$ (39,356)</u>		<u>\$ (62,475)</u>

**CITY OF HANCOCK**  
**LOCAL STREET FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Taxes	\$ 93,636	\$ 78,013	\$ 15,623	\$ 90,380
State and federal	191,825	149,064	42,761	171,181
Income revenue	400	389	11	726
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>679</u>
TOTAL REVENUES	<u>285,861</u>	<u>227,466</u>	<u>58,395</u>	<u>262,966</u>
EXPENDITURES:				
General government administration	<u>6,777</u>	<u>6,857</u>	<u>(80)</u>	<u>6,436</u>
Highway and streets:				
Construction	136,745	129,198	7,547	88,730
Routine maintenance	71,440	93,363	(21,923)	146,599
Traffic services	3,436	4,242	(806)	6,011
Snow and ice control	210,275	227,887	(17,612)	163,161
Sweeping and flushing	<u>2,900</u>	<u>3,264</u>	<u>(364)</u>	<u>3,325</u>
Total highway and streets	<u>424,796</u>	<u>457,954</u>	<u>(33,158)</u>	<u>407,826</u>
TOTAL EXPENDITURES	<u>431,573</u>	<u>464,811</u>	<u>(33,238)</u>	<u>414,262</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(145,712)</u>	<u>(237,345)</u>	<u>91,633</u>	<u>(151,296)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>174,452</u>	<u>174,452</u>	<u>-</u>	<u>82,541</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>174,452</u>	<u>174,452</u>	<u>-</u>	<u>82,541</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 28,740</u>	<u>(62,893)</u>	<u>\$ 91,633</u>	<u>(68,755)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(68,755)</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ (131,648)</u>		<u>\$ (68,755)</u>

**CITY OF HANCOCK**  
**COMMUNITY DEVELOPMENT BLOCK GRANT FUND-M2000-0657 (NPP)**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2008**  
**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>Budget</u>	<u>2008</u>	<u>Variance</u>	<u>2007</u>
REVENUES:				
Federal grant	\$ 65,000	\$ 62,618	\$ 2,382	\$ 355,812
Other revenue	81,500	75,590	5,910	120,457
TOTAL REVENUES	<u>146,500</u>	<u>138,208</u>	<u>8,292</u>	<u>476,269</u>
EXPENDITURES:				
Administration	1,000	307	693	485,740
Construction	<u>125,000</u>	<u>121,190</u>	<u>3,810</u>	<u>-</u>
TOTAL EXPENDITURES	<u>126,000</u>	<u>121,497</u>	<u>4,503</u>	<u>485,740</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,500</u>	<u>16,711</u>	<u>3,789</u>	<u>(9,471)</u>
OTHER FINANCING SOURCES (USES):				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 20,500</u>	<u>16,711</u>	<u>\$ 3,789</u>	<u>(9,471)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>86,316</u>		<u>95,787</u>
FUND BALANCE, END OF YEAR		<u>\$ 103,027</u>		<u>\$ 86,316</u>

**CITY OF HANCOCK**  
**ELEVATION STREET TIFA**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Taxes	\$ 25,920	\$ 23,797	\$ 2,123	\$ 23,102
Interest	1,000	2,493	(1,493)	796
TOTAL REVENUES	<u>26,920</u>	<u>26,290</u>	<u>630</u>	<u>23,898</u>
EXPENDITURES:				
General government administration	-	-	-	60
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 26,920</u>	26,290	<u>\$ 630</u>	<u>23,838</u>
FUND BALANCE, BEGINNING OF YEAR		<u>89,834</u>		<u>65,996</u>
FUND BALANCE, END OF YEAR		<u>\$ 116,124</u>		<u>\$ 89,834</u>



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

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	<u>2008</u>	<u>2007</u>
ASSETS:		
Cash	<u>\$ 1,818</u>	<u>\$ 1,760</u>
FUND BALANCES:		
Reserved	<u>\$ 1,818</u>	<u>\$ 1,760</u>

**CITY OF HANCOCK**  
**DEBT SERVICE (BUILDING AUTHORITY) FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Rental income	\$ 99,296	\$ 97,735	\$ 1,561	\$ 97,220
Interest income	246	58	188	9
TOTAL REVENUES	<u>99,542</u>	<u>97,793</u>	<u>1,749</u>	<u>97,229</u>
EXPENDITURES:				
Bond principal	33,000	33,000	-	31,000
Bond interest and other expense	66,296	64,735	1,561	66,220
Miscellaneous	-	-	-	(2)
TOTAL EXPENDITURES	<u>99,296</u>	<u>97,735</u>	<u>1,561</u>	<u>97,218</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 246</u>	58	<u>\$ 188</u>	11
FUND BALANCE, BEGINNING OF YEAR		<u>1,760</u>		<u>1,749</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,818</u>		<u>\$ 1,760</u>

**CITY OF HANCOCK**  
**RESIDENTIAL CAPITAL PROJECTS**  
**BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	<u>2008</u>	<u>2007</u>
ASSETS:		
Cash	\$ 32,517	\$ 13,147
 TOTAL ASSETS	 <u>\$ 32,517</u>	 <u>\$ 13,147</u>
 LIABILITIES:		
Accounts payable	\$ 50	\$ -
Accrued expenses	397	831
Due to other funds	<u>107,741</u>	<u>10,330</u>
TOTAL LIABILITIES	<u>108,188</u>	<u>11,161</u>
 FUND BALANCES:		
Unreserved	<u>(75,671)</u>	<u>1,986</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 32,517</u>	 <u>\$ 13,147</u>

**CITY OF HANCOCK**  
**RESIDENTIAL CAPITAL PROJECTS**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Other revenue:				
Lot sales	\$ 20,000	\$ 17,101	\$ 2,899	\$ 33,000
Interest	246	197	49	415
TOTAL REVENUES	<u>20,246</u>	<u>17,298</u>	<u>2,948</u>	<u>33,415</u>
EXPENDITURES:				
General government administration	-	68	(68)	16,487
Construction	<u>109,000</u>	<u>94,887</u>	<u>14,113</u>	<u>48,144</u>
TOTAL EXPENDITURES	<u>109,000</u>	<u>94,955</u>	<u>14,045</u>	<u>64,631</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(88,754)</u>	<u>(77,657)</u>	<u>(11,097)</u>	<u>(31,216)</u>
OTHER FINANCING SOURCES (USES):				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (88,754)</u>	<u>(77,657)</u>	<u>\$ (11,097)</u>	<u>(31,216)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,986</u>		<u>33,202</u>
FUND BALANCE, END OF YEAR		<u>\$ (75,671)</u>		<u>\$ 1,986</u>

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	Parking Meter	Transit	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
					2008	2007
<b>ASSETS:</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 2,315	\$ 12,211	\$ 48,616	\$ 33,129	\$ 96,271	\$ 67,749
Investments	-	-	145,871	-	145,871	140,217
Restricted cash	-	-	6,800	108,148	114,948	107,346
Restricted investments	-	-	-	100,861	100,861	96,817
Accounts receivable	80	40	41,256	45,806	87,182	130,682
Inventory	-	-	28,830	47,084	75,914	82,441
Prepaid expenses	-	2,475	-	-	2,475	2,108
<b>Total current assets</b>	<b>2,395</b>	<b>14,726</b>	<b>271,373</b>	<b>335,028</b>	<b>623,522</b>	<b>627,360</b>
Property, plant, and equipment	30,893	264,581	5,787,904	6,180,025	12,263,403	11,589,181
Accumulated depreciation & amortization	(30,893)	(96,735)	(4,643,184)	(3,401,487)	(8,172,299)	(7,953,481)
	-	167,846	1,144,720	2,778,538	4,091,104	3,635,700
<b>TOTAL ASSETS</b>	<b>\$ 2,395</b>	<b>\$ 182,572</b>	<b>\$ 1,416,093</b>	<b>\$ 3,113,566</b>	<b>\$ 4,714,626</b>	<b>\$ 4,263,060</b>

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS (CONTINUED)**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	Parking Meter	Transit	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
					2008	2007
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	\$ 5	\$ 4,163	\$ 3,798	\$ 38,762	\$ 46,728	\$ 2,497
Accrued expenses	443	1,589	728	1,314	4,074	3,138
Due to other funds	1,436	-	1,460	111,945	114,841	578,665
Due to other governmental units	-	-	47,378	-	47,378	8,531
Current maturities on long term debt	-	-	10,000	26,000	36,000	35,000
Total current liabilities	1,884	5,752	63,364	178,021	249,021	627,831
Long-term liabilities:						
Bonds payable	-	-	55,000	2,040,320	2,095,320	1,632,562
<b>TOTAL LIABILITIES</b>	<b>1,884</b>	<b>5,752</b>	<b>118,364</b>	<b>2,218,341</b>	<b>2,344,341</b>	<b>2,260,393</b>
<b>FUND EQUITY:</b>						
Contributed capital	-	175,464	-	-	175,464	-
Retained earnings:						
Reserved	-	-	-	209,009	209,009	189,778
Unreserved	511	1,356	1,297,729	686,216	1,985,812	1,812,889
Total retained earnings	511	1,356	1,297,729	895,225	2,194,821	2,002,667
<b>TOTAL FUND EQUITY</b>	<b>511</b>	<b>176,820</b>	<b>1,297,729</b>	<b>895,225</b>	<b>2,370,285</b>	<b>2,002,667</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 2,395</b>	<b>\$ 182,572</b>	<b>\$ 1,416,093</b>	<b>\$ 3,113,566</b>	<b>\$ 4,714,626</b>	<b>\$ 4,263,060</b>

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

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	Parking		Sewer Fund	Water Fund	Totals (Memorandum Only)	
	Meter	Transit			2008	2007
OPERATING REVENUES:						
Sales and charges for services	\$ 12,095	\$ 35,048	\$ 599,545	\$ 695,621	\$ 1,342,309	\$ 1,200,313
State Grant	-	92,332	-	-	92,332	54,379
Federal Grant	-	148,942	-	-	148,942	24,886
Other revenue	-	18,380	-	7,710	26,090	30,983
<b>TOTAL OPERATING REVENUES</b>	<b>12,095</b>	<b>294,702</b>	<b>599,545</b>	<b>703,331</b>	<b>1,609,673</b>	<b>1,310,561</b>
OPERATING EXPENSES:						
General administration	19,822	4,420	35,546	64,111	123,899	157,442
Meter reading	-	-	9,457	9,471	18,928	18,556
Purchase of services	-	-	458,256	177,092	635,348	623,453
Operations and maintenance	-	115,271	131,667	348,668	595,606	449,539
Depreciation	-	13,528	98,858	106,432	218,818	223,466
<b>TOTAL OPERATING EXPENSES</b>	<b>19,822</b>	<b>133,219</b>	<b>733,784</b>	<b>705,774</b>	<b>1,592,599</b>	<b>1,472,456</b>
OPERATING INCOME (LOSS)	(7,727)	161,483	(134,239)	(2,443)	17,074	(161,895)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	43	337	7,315	11,243	18,938	13,523
Interest expense	-	-	(3,750)	(71,261)	(75,011)	(76,455)
Operating transfers in	5,300	20,317	44,575	336,425	406,617	89,312
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>5,343</b>	<b>20,654</b>	<b>48,140</b>	<b>276,407</b>	<b>350,544</b>	<b>26,380</b>
NET INCOME (LOSS)	(2,384)	182,137	(86,099)	273,964	367,618	(135,515)
RETAINED EARNINGS (DEFICIT), BEGINNING OF THE YEAR	2,895	(5,317)	1,383,828	621,261	2,002,667	2,138,182
<b>RETAINED EARNINGS (DEFICIT), END OF YEAR</b>	<b>\$ 511</b>	<b>\$ 176,820</b>	<b>\$ 1,297,729</b>	<b>\$ 895,225</b>	<b>\$ 2,370,285</b>	<b>\$ 2,002,667</b>

**CITY OF HANCOCK**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2008**

	Parking Meter Fund	Transit Fund	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 12,095	\$ 35,048	\$ 628,806	\$ 709,860	\$ 1,385,809
Payments to suppliers	(3,179)	(43,377)	(484,449)	(313,314)	(844,319)
Internal activity -- receipts (payments) to other funds	(6,584)	(9,663)	(60,248)	(138,232)	(214,727)
Payments to employees	(9,886)	(62,736)	(53,169)	(98,770)	(224,561)
Other receipts (payments)	-	259,654	-	7,710	267,364
Net cash provided by operating activities	<u>(7,554)</u>	<u>178,926</u>	<u>30,940</u>	<u>167,254</u>	<u>369,566</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating subsidies and transfers to other funds	<u>6,710</u>	<u>317</u>	<u>(17,710)</u>	<u>(46,524)</u>	<u>(57,207)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	-	-	-	-	-
Purchases of capital assets	-	(175,464)	-	-	(175,464)
Sale of capital assets	-	-	-	-	-
Principal paid on capital debt	-	-	(10,000)	(15,000)	(25,000)
Interest paid on capital debt	-	-	(3,750)	(71,261)	(75,011)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(175,464)</u>	<u>(13,750)</u>	<u>(86,261)</u>	<u>(275,475)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of investments	-	-	(5,654)	(21,659)	(27,313)
Proceeds from sale and maturities of investments	-	-	-	-	-
Interest and dividends	43	337	7,315	11,243	18,938
Net cash provided by investing activities	<u>43</u>	<u>337</u>	<u>1,661</u>	<u>(10,416)</u>	<u>(8,375)</u>
Net (decrease) in cash and cash equivalents	(801)	4,116	1,141	24,053	28,509
Balances – beginning of the year	3,116	8,095	54,275	109,609	175,095
Balances – end of the year	<u>\$ 2,315</u>	<u>\$ 12,211</u>	<u>\$ 55,416</u>	<u>\$ 133,662</u>	<u>\$ 203,604</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (7,727)	\$ 161,483	\$ (134,239)	\$ (2,443)	17,074
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	13,528	98,858	106,432	218,818
Change in assets and liabilities					
Receivables, net	-	-	29,261	14,239	43,500
Due from other governmental units	-	-	-	-	-
Inventory	-	-	(2,987)	9,514	6,527
Prepaid expenses	-	(367)	-	-	(367)
Accounts and other payables	5	4,163	1,301	38,762	44,231
Due to other governmental	-	-	38,847	-	38,847
Accrued expenses	168	119	(101)	750	936
Net cash provided by operating activities	<u>\$ (7,554)</u>	<u>\$ 178,926</u>	<u>\$ 30,940</u>	<u>\$ 167,254</u>	<u>\$ 369,566</u>



**CITY OF HANCOCK**  
**PARKING METER FUND**  
**BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	2008	2007
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 2,315	\$ 3,116
Accounts receivable	80	80
Fixed Assets:		
Equipment	30,893	30,893
Less accumulated depreciation & amortization	(30,893)	(30,893)
<b>TOTAL ASSETS</b>	<b>\$ 2,395</b>	<b>\$ 3,196</b>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable	\$ 5	\$ -
Accrued wages payable	443	275
Due to other funds	1,436	26
<b>TOTAL LIABILITIES</b>	<b>1,884</b>	<b>301</b>
<b>FUND EQUITY:</b>		
Retained Earnings	511	2,895
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 2,395</b>	<b>\$ 3,196</b>

**CITY OF HANCOCK**  
**PARKING METER FUND**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

**With Comparative Actual Amounts for Year ended June 30, 2007**

	BUDGET	ACTUAL	VARIANCE	2007
OPERATING REVENUES:				
Charges for services:	\$ 10,600	\$ 12,095	\$ (1,495)	\$ 12,531
OPERATING EXPENSES:				
General administration	21,211	19,822	1,389	19,877
TOTAL OPERATING EXPENSES	21,211	19,822	1,389	19,877
OPERATING INCOME (LOSS)	(10,611)	(7,727)	(2,884)	(7,346)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	75	43	32	39
Operating transfers in	5,306	5,300	6	14,925
TOTAL NON-OPERATING REVENUES (EXPENSES)	5,381	5,343	38	14,964
NET INCOME (LOSS)	\$ (5,230)	(2,384)	\$ (2,846)	7,618
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		2,895		(4,723)
RETAINED EARNINGS (DEFICIT), END OF YEAR		\$ 511		\$ 2,895

**CITY OF HANCOCK**  
**SEWER DISPOSAL SYSTEM FUND**  
**BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	2008	2007
<b>ASSETS:</b>		
Current Assets		
Cash and cash equivalents	\$ 48,616	\$ 41,254
Investments	145,871	140,217
Accounts Receivable	41,256	70,517
Inventory	28,830	25,843
Restricted Assets:		
Cash	6,800	13,021
Fixed Assets:		
Utility plant in service	5,787,904	5,787,904
Less accumulated depreciation & amortization	<u>(4,643,184)</u>	<u>(4,544,326)</u>
<b>TOTAL ASSETS:</b>	<b><u>\$ 1,416,093</u></b>	<b><u>\$ 1,534,430</u></b>
 <b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable	\$ 3,798	\$ 2,497
Accrued expenses	728	829
Due to other funds	1,460	63,745
Due to other governmental units	47,378	8,531
Current maturities on long-term debt	10,000	10,000
Long-term Liabilities:		
Revenue bonds payable	<u>55,000</u>	<u>65,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>118,364</u></b>	<b><u>150,602</u></b>
 <b>FUND EQUITY:</b>		
Retained Earnings:		
Unreserved	<u>1,297,729</u>	<u>1,383,828</u>
<b>TOTAL FUND EQUITY</b>	<b><u>1,297,729</u></b>	<b><u>1,383,828</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$ 1,416,093</u></b>	 <b><u>\$ 1,534,430</u></b>

**CITY OF HANCOCK**  
**SEWER DISPOSAL SYSTEM FUND**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**BUDGET AND ACTUAL**  
**Year ended June 30, 2008**  
**With Comparative Totals for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
OPERATING REVENUES:				
Charges for services	\$ 636,530	\$ 599,545	\$ 36,985	\$ 619,864
Other revenue	123	-	123	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	636,653	599,545	37,108	619,864
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES:				
General administration	-	35,546	(35,546)	35,144
Meter reading	-	9,457	(9,457)	9,258
Operations and maintenace	-	131,667	(131,667)	83,577
Share of Portage Lake W & S Auth plant expense	-	458,256	(458,256)	451,187
Depreciation	-	98,858	(98,858)	99,395
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	-	733,784	(733,784)	678,561
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	636,653	(134,239)	770,892	(58,697)
	<hr/>	<hr/>	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	6,800	7,315	(515)	7,329
Interest expense	-	(3,750)	3,750	(4,250)
Operating transfers out	-	-	-	-
Operating transfers in	44,575	44,575	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	51,375	48,140	3,235	3,079
	<hr/>	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	<u>\$ 688,028</u>	(86,099)	<u>\$ 774,127</u>	(55,618)
	<hr/>	<hr/>	<hr/>	<hr/>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>1,383,828</u>		<u>1,439,446</u>
	<hr/>	<hr/>	<hr/>	<hr/>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 1,297,729</u>		<u>\$ 1,383,828</u>

**CITY OF HANCOCK**  
**WATER SUPPLY SYSTEM FUND**  
**BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	2008	2007
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 33,129	\$ 15,284
Accounts receivable	45,806	60,045
Inventory	47,084	56,598
Restricted Assets:		
Restricted cash	108,148	94,325
Restricted investments	100,861	96,817
Fixed Assets:		
Property, plant, and equipment	6,180,025	5,681,267
Accumulated depreciation & amortization	(3,401,487)	(3,295,055)
<b>TOTAL ASSETS</b>	<b>\$ 3,113,566</b>	<b>\$ 2,709,281</b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 38,762	\$ -
Accrued expenses	1,314	564
Due to other funds	111,945	494,894
Current maturities on long term debt	26,000	25,000
Long-term liabilities:		
Revenue bonds payable	2,040,320	1,567,562
<b>TOTAL LIABILITIES</b>	<b>2,218,341</b>	<b>2,088,020</b>
<b>FUND EQUITY:</b>		
Retained Earnings:		
Reserved	209,009	189,778
Unreserved	686,216	431,483
<b>TOTAL FUND EQUITY</b>	<b>895,225</b>	<b>621,261</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 3,113,566</b>	<b>\$ 2,709,281</b>

**CITY OF HANCOCK**  
**WATER SUPPLY SYSTEM FUND**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**  
**With Comparative Actual Amounts for Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
OPERATING REVENUES:				
Sales and charges for services	\$ 627,400	\$ 695,621	\$ (68,221)	\$ 532,470
Other revenue	9,231	7,710	1,521	10,339
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	636,631	703,331	(66,700)	542,809
OPERATING EXPENSES:				
General administration	69,166	64,111	5,055	85,057
Meter reading	9,112	9,471	(359)	9,298
Purchase of Water	180,000	177,092	2,908	172,266
Operations and maintenance	262,186	348,668	(86,482)	240,036
Depreciation	-	106,432	(106,432)	106,432
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	520,464	705,774	(185,310)	613,089
OPERATING INCOME (LOSS)	116,167	(2,443)	118,610	(70,280)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	5,500	11,243	(5,743)	5,900
Interest expense	(96,890)	(71,261)	(25,629)	(72,205)
Operating transfers in	336,425	336,425	-	43,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	245,035	276,407	(31,372)	(23,305)
NET INCOME (LOSS)	<u>\$ 361,202</u>	273,964	<u>\$ 87,238</u>	(93,585)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>621,261</u>		<u>714,846</u>
ADJUSTMENTS TO FUND EQUITY:				
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 895,225</u>		<u>\$ 621,261</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	2008	2007
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 12,211	\$ 8,095
Accounts receivable	40	40
Prepaid Expenses	2,475	2,108
Fixed Assets:		
Vehicles and equipment	264,581	89,117
Accumulated depreciation	<u>(96,735)</u>	<u>(83,207)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 182,572</u></b>	<b><u>\$ 16,153</u></b>
 <b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 4,163	\$ -
Accrued expenses	1,589	1,470
Due to other funds	<u>-</u>	<u>20,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,752</u></b>	<b><u>21,470</u></b>
 <b>FUND EQUITY:</b>		
Contributed capital	175,464	-
Retained earnings:	<u>1,356</u>	<u>(5,317)</u>
<b>TOTAL FUND EQUITY</b>	<b><u>176,820</u></b>	<b><u>(5,317)</u></b>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <b><u>\$ 182,572</u></b>	 <b><u>\$ 16,153</u></b>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**BUDGET AND ACTUAL**  
**Year ended June 30, 2008**  
**With Comparative Totals at June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
<b>OPERATING REVENUES:</b>				
Sales and charges for services	\$ 36,000	\$ 35,048	\$ 952	\$ 35,448
State grant	84,000	92,332	(8,332)	54,379
Federal grant	150,000	148,942	1,058	24,886
Other revenue	400	18,380	(17,980)	20,644
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	270,400	294,702	(24,302)	135,357
<b>OPERATING EXPENSES:</b>				
General administration	7,425	4,420	3,005	17,364
Operations and maintenance	117,410	115,271	2,139	125,926
Depreciation	-	13,528	(13,528)	17,639
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	124,835	133,219	(8,384)	160,929
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	145,565	161,483	(15,918)	(25,572)
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	325	337	(12)	255
Operating transfers in	20,317	20,317	-	31,387
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	20,642	20,654	(12)	31,642
	<hr/>	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	\$ 166,207	182,137	\$ (15,930)	6,070
	<hr/>	<hr/>	<hr/>	<hr/>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		(5,317)		(11,387)
	<hr/>	<hr/>	<hr/>	<hr/>
RETAINED EARNINGS (DEFICIT), END OF YEAR		\$ 176,820		\$ (5,317)
	<hr/>	<hr/>	<hr/>	<hr/>



**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING BALANCE SHEETS**

**June 30, 2008**

**With Comparative Totals at June 30, 2007**

	Employee Benefit	Motor Vehicle	Totals (Memorandum Only)	
			2008	2007
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 30,116	\$ 51,884	\$ 82,000	\$ 39,962
Restricted cash	1,681	-	1,681	1,656
Accounts receivable	-	1,142	1,142	14,467
Due from other funds	185,512	634,301	819,813	648,791
Due from component unit	-	8,292	8,292	-
Inventory	-	27,718	27,718	26,709
Prepaid expenses	44,365	14,991	59,356	61,239
Total current assets	261,674	738,328	1,000,002	792,824
Fixed Assets:				
Equipment	-	1,719,457	1,719,457	1,570,752
Accumulated depreciation & amortization	-	(1,489,953)	(1,489,953)	(1,390,905)
Total Fixed Assets	-	229,504	229,504	179,847
<b>TOTAL ASSETS</b>	<b>\$ 261,674</b>	<b>\$ 967,832</b>	<b>\$ 1,229,506</b>	<b>\$ 972,671</b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 12,223	\$ 16,032	\$ 28,255	\$ 9,181
Accrued sick and vacation	170,335	-	170,335	159,350
Accrued wages payable	8,569	828	9,397	6,612
Current maturities on long term debt	-	61,247	61,247	51,373
Total current liabilities	191,127	78,107	269,234	226,516
Long-term liabilities:				
Notes payable	-	201,450	201,450	112,643
<b>TOTAL LIABILITIES</b>	<b>191,127</b>	<b>279,557</b>	<b>470,684</b>	<b>339,159</b>
<b>FUND EQUITY:</b>				
Retained earnings:				
Reserved	1,681	-	1,681	1,656
Unreserved	68,866	688,275	757,141	631,856
Total retained earnings	70,547	688,275	758,822	633,512
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 261,674</b>	<b>\$ 967,832</b>	<b>\$ 1,229,506</b>	<b>\$ 972,671</b>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Year ended June 30, 2008**  
**With Comparative Totals for Year ended June 30, 2007**

	Employee Benefit	Motor Vehicle	<u>Totals</u>	
			2008	2007
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 760,680	\$ 620,600	\$ 1,381,280	\$ 1,283,576
Other revenue	45,972	2,048	48,020	48,206
<b>TOTAL OPERATING REVENUES</b>	<u>806,652</u>	<u>622,648</u>	<u>1,429,300</u>	<u>1,331,782</u>
<b>OPERATING EXPENSES:</b>				
General government administration	773	25,888	26,661	26,815
Garage maintenace	-	104,961	104,961	105,334
Operations and maintenance	-	265,373	265,373	203,838
Depreciation	-	99,048	99,048	102,806
Benefit payments:				
Payroll taxes	114,746	-	114,746	102,004
Retirement plan expense	84,236	-	84,236	100,688
Holiday pay	36,703	-	36,703	33,305
Sick pay/personal leave	49,819	-	49,819	33,660
Vacation pay	74,096	-	74,096	71,580
Workers' compensation insurance	51,460	-	51,460	64,361
Hospitalization insurance	371,225	-	371,225	340,727
Employee life insurance	2,370	-	2,370	6,270
Longevity pay	18,150	-	18,150	17,696
Employee picnic	738	-	738	600
Other	-	-	-	(4,182)
<b>TOTAL OPERATING EXPENSES</b>	<u>804,316</u>	<u>495,270</u>	<u>1,299,586</u>	<u>1,205,502</u>
<b>OPERATING INCOME (LOSS)</b>	<b>2,336</b>	<b>127,378</b>	<b>129,714</b>	<b>126,280</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Gain on sale of assets	-	350	350	50
Interest income	720	637	1,357	1,100
Interest expense	-	(6,111)	6,111	(14,122)
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>720</u>	<u>(5,124)</u>	<u>(4,404)</u>	<u>(12,972)</u>
<b>NET INCOME (LOSS)</b>	<b>3,056</b>	<b>122,254</b>	<b>125,310</b>	<b>113,308</b>
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR</b>	<u>67,491</u>	<u>566,021</u>	<u>633,512</u>	<u>520,204</u>
<b>RETAINED EARNINGS (DEFICIT), END OF YEAR</b>	<u>\$ 70,547</u>	<u>\$ 688,275</u>	<u>\$ 758,822</u>	<u>\$ 633,512</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2008**

	<u>Employee Benefit</u>	<u>Motor Vehicle</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers	\$ (803,011)	\$ (283,019)	\$ (1,086,030)
Internal activity -- receipts (payments) to other funds	760,680	578,915	1,339,595
Payments to employees	13,660	(52,765)	(39,105)
Other receipts (payments)	<u>59,297</u>	<u>2,048</u>	<u>61,345</u>
Net cash provided by operating activities	<u>30,626</u>	<u>245,179</u>	<u>275,805</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers to other funds	<u>(40,817)</u>	<u>(138,497)</u>	<u>(179,314)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from capital debt	-	150,065	150,065
Purchases of capital assets	-	(148,705)	(148,705)
Sale of capital assets	-	350	350
Principal paid on capital debt	-	(51,384)	(51,384)
Interest paid on capital debt	<u>-</u>	<u>(6,111)</u>	<u>(6,111)</u>
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(55,785)</u>	<u>(55,785)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>720</u>	<u>637</u>	<u>1,357</u>
Net cash provided by investing activities	<u>720</u>	<u>637</u>	<u>1,357</u>
Net (decrease) in cash and cash equivalents	(9,471)	51,534	42,063
Balances – beginning of the year	<u>41,268</u>	<u>350</u>	<u>41,618</u>
Balances – end of the year	<u>\$ 31,797</u>	<u>\$ 51,884</u>	<u>\$ 83,681</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 2,336	\$ 127,378	\$ 129,714
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	99,048	99,048
Change in assets and liabilities			
Receivables, net	13,325	-	13,325
Inventory	-	(1,009)	(1,009)
Prepaid expenses	(1,737)	3,620	1,883
Accounts and other payables	3,042	16,032	19,074
Accrued expenses	<u>13,660</u>	<u>110</u>	<u>13,770</u>
Net cash provided by operating activities	<u>\$ 30,626</u>	<u>\$ 245,179</u>	<u>\$ 275,805</u>

**CITY OF HANCOCK**  
**EMPLOYEE BENEFIT FUND**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**BUDGET AND ACTUAL**  
**Year ended June 30, 2008**

**With Comparative Actual Amounts for Year ended June 30, 2007**

	BUDGET	ACTUAL	VARIANCE	2007
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 793,102	\$ 760,680	\$ 32,422	\$ 744,543
Other revenue	<u>58,215</u>	<u>45,972</u>	<u>12,243</u>	<u>46,839</u>
<b>TOTAL OPERATING REVENUES</b>	<u>851,317</u>	<u>806,652</u>	<u>44,665</u>	<u>791,382</u>
<b>EXPENSES:</b>				
General government administration	1,599	773	826	834
Benefit payments:				
Payroll taxes	107,284	114,746	(7,462)	102,004
Retirement plan expense	109,242	84,236	25,006	100,688
Holiday pay	34,489	36,703	(2,214)	33,305
Sick pay/personal leave	38,203	49,819	(11,616)	33,660
Vacation pay	72,162	74,096	(1,934)	71,580
Workers' compensation insurance	52,020	51,460	560	64,361
Hospitalization insurance	367,566	371,225	(3,659)	340,727
Employee life insurance	2,500	2,370	130	6,270
Longevity pay	18,400	18,150	250	17,696
Employee picnic	738	738	-	600
Other	<u>13,215</u>		<u>13,215</u>	<u>(4,182)</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>817,418</u>	<u>804,316</u>	<u>13,102</u>	<u>767,543</u>
<b>OPERATING INCOME (LOSS)</b>	33,899	2,336	31,563	23,839
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	<u>800</u>	<u>720</u>	<u>80</u>	<u>814</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>800</u>	<u>720</u>	<u>80</u>	<u>814</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 34,699</u>	<u>3,056</u>	<u>\$ 31,643</u>	24,653
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR</b>		<u>67,491</u>		<u>42,838</u>
<b>RETAINED EARNINGS (DEFICIT), END OF YEAR</b>		<u>\$ 70,547</u>		<u>\$ 67,491</u>

**CITY OF HANCOCK**  
**MOTOR VEHICLE FUND**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**BUDGET AND ACTUAL**  
**Year ended June 30, 2008**  
**With Comparative Totals for Year ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
OPERATING REVENUES:				
Charges for services	\$ 592,631	\$ 620,600	\$ 1,213,231	\$ 539,033
Other revenue	1,500	2,048	3,548	1,367
	<u>594,131</u>	<u>622,648</u>	<u>1,216,779</u>	<u>540,400</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES:				
General government administration	28,416	25,888	54,304	25,981
Garage maintenance	105,461	104,961	210,422	105,334
Operations and maintenance	434,555	265,373	699,928	203,838
Depreciation	-	99,048	99,048	102,806
	<u>568,432</u>	<u>495,270</u>	<u>1,063,702</u>	<u>437,959</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	25,699	127,378	153,077	102,441
NON-OPERATING REVENUES (EXPENSES):				
Gain on sale of assets	3,184	350	3,534	50
Interest income	984	637	1,621	286
Interest expense	(58,163)	(6,111)	64,274	(14,122)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(53,995)</u>	<u>(5,124)</u>	<u>(59,119)</u>	<u>(13,786)</u>
NET INCOME (LOSS)	<u>\$ (28,296)</u>	122,254	<u>\$ 93,958</u>	88,655
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>566,021</u>		<u>477,366</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 688,275</u>		<u>\$ 566,021</u>

**CITY OF HANCOCK**  
**CEMETERY PERPETUAL CARE TRUST FUND**  
**SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL**  
**Year ended June 30, 2008**  
**With Comparative Actual Amounts for Year ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
OPERATING REVENUES:				
Other revenue	\$ -	\$ -	\$ -	\$ 775
TOTAL OPERATING REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>775</u>
OPERATING EXPENSES:				
OPERATING INCOME (LOSS)	-	-	-	775
NON-OPERATING REVENUES (EXPENSES):				
Interest income	<u>1,304</u>	<u>5,042</u>	<u>6,346</u>	<u>4,978</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,304</u>	<u>5,042</u>	<u>6,346</u>	<u>4,978</u>
NET INCOME (LOSS)	<u>\$ 1,304</u>	<u>5,042</u>	<u>\$ 6,346</u>	<u>5,753</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		<u>163,816</u>		<u>158,063</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		<u>\$ 168,858</u>		<u>\$ 163,816</u>

**TRANSIT FUND SUPPLEMENTAL INFORMATION**

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING REVENUE**  
**For the Year Ended June 30, 2008**

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

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

	10/01/06 through 06/30/07	07/01/07 through 09/30/07	Total
Farebox receipts- passenger fares	\$ 26,493	\$ 8,277	\$ 34,770
Contract Fares	540	40	580
State Operating Assistance	56,938	12,411	69,349
Federal Section 5311	15,648	0	15,648
Federal RTAP	2,658	0	2,658
Interest Income	233	58	291
<b>Total Operating Revenue</b>	<b>\$ 102,510</b>	<b>\$ 20,786</b>	<b>\$ 123,296</b>



**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**For the Year Ended June 30, 2008**

	07/01/07 through 09/30/07				10/01/07 through 06/30/08				Total			
	Operation	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total
Labor:												
Wages -operations	\$ 13,226	\$ 0	\$ 0	\$ 13,226	\$ 49,629	\$ 0	\$ 0	\$ 49,629	\$ 62,855	\$ 0	\$ 0	\$ 62,855
Other salaries and wages	0	0	0	0	0	0	0	0	0	0	0	0
Dispatchers wages	0	0	0	0	0	0	0	0	0	0	0	0
Fringe benefits	2,145	217	96	2,458	7,206	0	0	7,206	9,351	217	96	9,664
Services:												
Advertising	0	0	0	0	0	0	0	0	0	0	0	0
Other	59	754	544	1,357	2,969	2,296	471	5,736	3,028	3,050	1,015	7,093
Materials and supplies:												
Fuel and lubricants	5,646	0	0	5,646	20,956	0	0	20,956	26,602	0	0	26,602
Tires and tubes	693	0	0	693	716	0	0	716	1,409	0	0	1,409
Major supplies	0	1,662	0	1,662		4,462	0	4,462	0	6,124	0	6,124
Other	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	0	0	467	467	0	0	1,442	1,442	0	0	1,909	1,909
Insurance	2,068	0	0	2,068	354	0	0	354	2,422	0	0	2,422
Operating lease and rentals	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous expenses:												
Travel	0	0	0	0	0	0	95	95	0	0	95	95
Dues & Subscriptions	0	0	651	651	0	0	100	100	0	0	751	751
Other	0	0	51	51	261	0	455	716	261	0	506	767
Depreciation	0	0	0	0	13,528	0	0	13,528	13,528	0	0	13,528
	<u>23,837</u>	<u>2,633</u>	<u>1,809</u>	<u>28,279</u>	<u>95,619</u>	<u>6,758</u>	<u>2,563</u>	<u>104,940</u>	<u>119,456</u>	<u>9,391</u>	<u>4,372</u>	<u>133,219</u>
Less:												
Ineligible expenses- RTAP	0	0	0	0	44	0	0	44	44	0	0	44
Deprecation	0	0	0	0	13,528	0	0	13,528	13,528	0	0	13,528
	<u>\$ 23,837</u>	<u>\$ 2,633</u>	<u>\$ 1,809</u>	<u>\$ 28,279</u>	<u>\$ 82,047</u>	<u>\$ 6,758</u>	<u>\$ 2,563</u>	<u>\$ 91,368</u>	<u>\$ 105,884</u>	<u>\$ 9,391</u>	<u>\$ 4,372</u>	<u>\$ 119,647</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**For the Year Ended June 30, 2008**

	10/01/06 through 06/30/07				07/01/07 through 09/30/07				Total			
	Operation	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total	Operations	Maint.	Gen. Admin.	Total
<b>Labor:</b>												
Wages -operations	\$ 46,959	\$ 0	\$ 980	\$ 47,939	\$ 13,226	\$ 0	\$ 0	\$ 13,226	\$ 60,185	\$ 0	\$ 980	\$ 61,165
Other salaries and wages	0	9,450	1,718	11,168	0	0	0	0	0	9,450	1,718	11,168
Dispatchers wages	2,697	0	0	2,697	0	0	0	0	2,697	0	0	2,697
Fringe benefits	9,057	7,570	2,175	18,802	2,145	217	96	2,458	11,202	7,787	2,271	21,260
<b>Services:</b>												
Advertising	0	0	609	609	0	0	0	0	0	0	609	609
Other	1,917	1,348	414	3,679	59	754	544	1,357	1,976	2,102	958	5,036
<b>Materials and supplies:</b>												
Fuel and lubricants	16,953	0	0	16,953	5,646	0	0	5,646	22,599	0	0	22,599
Tires and tubes	1,635	0	0	1,635	693	0	0	693	2,328	0	0	2,328
Major supplies	0	4,629	0	4,629	0	1,662	0	1,662	0	6,291	0	6,291
Other	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	0	0	1,502	1,502	0	0	467	467	0	0	1,969	1,969
Insurance	295	0	0	295	2,068	0	0	2,068	2,363	0	0	2,363
Operating lease and rentals	0	0	0	0	0	0	0	0	0	0	0	0
<b>Miscellaneous expenses:</b>												
Travel	0	0	0	0	0	0	0	0	0	0	0	0
Dues & Subscriptions	107	0	295	402	0	0	651	651	107	0	946	1,053
Other	0	0	0	0	0	0	51	51	0	0	51	51
Depreciation	17,639	0	0	17,639	0	0	0	0	17,639	0	0	17,639
	<u>97,259</u>	<u>22,997</u>	<u>7,693</u>	<u>127,949</u>	<u>23,837</u>	<u>2,633</u>	<u>1,809</u>	<u>28,279</u>	<u>121,096</u>	<u>25,630</u>	<u>9,502</u>	<u>156,228</u>
<b>Less:</b>												
Ineligible expenses- RTAP	0	0	0	0	0	0	0	0	0	0	0	0
Deprecation	17,639	0	0	17,639	0	0	0	0	17,639	0	0	17,639
	<u>\$ 79,620</u>	<u>\$ 22,997</u>	<u>\$ 7,693</u>	<u>\$110,310</u>	<u>\$ 23,837</u>	<u>\$ 2,633</u>	<u>\$ 1,809</u>	<u>\$ 28,279</u>	<u>\$ 103,457</u>	<u>\$ 25,630</u>	<u>\$ 9,502</u>	<u>\$138,589</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANT**  
**For the Year Ended June 30, 2008**

NON URBAN AREAS	10/01/06 Through 09/30/07
<b>STATE OF MICHIGAN</b>	
Total Eligible Expenses	\$ 138,589
Reimbursement Rate %	39.2546%
Eligible operating assistance	\$ 54,403
 <b>FEDERAL SECTION 5311</b>	
Total Eligible Expenses	\$ 138,589
Reimbursement Rate %	15.0000%
Eligible operating assistance	\$ 20,788

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**MILEAGE DATA REPORT (UNAUDITED)**  
**For the Year Ended June 30, 2008**

<u>Quarter Ending:</u>	<u>Miles</u>
September 30, 2007	16,434
December 31, 2007	15,162
March 31, 2008	16,925
June 30, 2008	<u>14,313</u>
Total Miles	<u><u>62,834</u></u>

**CITY OF HANCOCK  
FEDERAL AWARDS PROGRAMS  
JUNE 30, 2008**



Bruce A. Rukkila, CPA, PC

310 Sheldon Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.brucerukkila.com



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hancock as of and for the year then ended June 30, 2008, which collectively comprise the City of Hancock's basic financial statements and have issued our report thereon dated December 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hancock's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Hancock's financial statements is more than inconsequential and will not be prevented or detected by the City of Hancock's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 through 2008-3 to be significant deficiencies in internal control over financial reporting.

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

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

### Compliance

As part of obtaining reasonable assurance about whether the City of Hancock's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-1 through 2008-3.

We noted certain other matters that we reported to management of the City of Hancock in a separate letter dated December 30, 2008.

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

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

December 30, 2008

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2008**

---

**2008-1 – Preparation of Financial Statements in Accordance with GAAP**

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

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

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

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

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

**2008-2 Capital Assets Records Maintained by the Auditor**

Criteria: Purchases, additions, disposals, and sale of assets must have prior approval from the appropriate officials. In addition, the financial statements must accurately report all capital assets and accumulated depreciation along with capital expenditures and depreciation expense.

Condition, Cause and Effect: The City has relied on its external auditor to maintain and update capital assets. Management has made the decision that it is in their best interest to have their external auditor maintain capital assets and compute depreciation rather than incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

View of Responsible Officials: The City finds it advantageous to apply the auditor's capital asset reports for GASB 34 reporting. Based on the technical depreciation software that is utilized by the auditor, the City has decided to review the capital asset reports on an annual basis and retain them.



**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2008**

---

**2008-3 Adjustments Proposed by the Auditor**

Criteria: The City is responsible for the reconciliation of all general ledger accounts for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Auditor identified journal entries to be posted to the City's financial records during the audit. The entries were needed to adjust year-end balances to be in conformity with generally accepted accounting principles.

Effect: We are pleased to assist in adjusting the City's general ledger, but are also required to communicate our part in completing the City's accounting records. A number of these journal entries are related to property taxes, intergovernmental activities, accounts payable, accounts receivable, and items required for the full-accrual presentation of the government-wide statements.

View of Responsible Officials: The City will ensure all general ledger accounts are reconciled on a timely basis with review and approval by the Board Treasurer.



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

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

Compliance

We have audited the compliance of the City of Hancock with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Hancock's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Hancock's management. Our responsibility is to express an opinion on the City of Hancock's compliance based on our audit.

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

In our opinion, the City of Hancock complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs a item 2008-1 through 2008-3.

Internal Control Over Compliance

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

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

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hancock as of and for the year then ended June 30, 2008, and have issued our report thereon dated December 30, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hancock's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

December 30, 2008

**CITY OF HANCOCK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2008**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency Pass-through programs from: State of Michigan/Department Of Environmental Quality Drinking Water State Revolving Fund	66.468	\$ 401,925
United States Department of Agriculture Rural Development Rural Housing Service Community Facilities Grant Police Vehicles	14.228	33,000
2008A Building Authority Bond	14.228	29,000
2008B Building Authority Bond	14.228	<u>21,000</u>
		<u>83,000</u>
U.S. Department of Housing and Urban Development-State Programs Pass-through programs from: Michigan State Housing Development Authority Rental Rehabilitation Grant	10.766	62,618
Michigan Strategic Fund Downtown Scott Hotel Project	10.766	155,000
U.S. Department of Transportation - Federal Transit Administration Pass-through programs from: State of Michigan, Michigan Department of Transportation Highway Research Planning & Construction	20.205	227,900
Section 5309 03-0224/Z8	20.509	57,174
Section 5309 03-0224/Z9	20.509	83,197
Section 5311 07-0219/Z1	20.509	6,622
Section 5311 07-0219/Z2	20.509	<u>13,172</u>
		<u>160,165</u>
Total expenditures of federal awards		<u>\$ 1,090,608</u>

**CITY OF HANCOCK**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2008**

**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 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION**

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 100 of these financial statements is \$1,090,608.

Federal Awards are reported in the financial statements as follows:

General Fund:	
Housing and Urban Development	\$ 155,000
Rural Housing Service Community Facilities Grants	83,000
CDBG Fund:	
Rental Rehabilitation Grant	62,618
Major Street Fund:	
Highway Research, Planning & Construction	227,900
Water Fund - EPA Bonds	401,925
Transit Fund:	
Section 5311	19,794
Highway Research, Planning & Construction	140,371
Total Transit	<u>160,165</u>
TOTAL	<u><u>\$ 1,090,608</u></u>

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2008**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

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

Identification of major programs:

Name of Federal Program	<u>CFDA Number</u>
Michigan State Housing Development Authority Drinking Water State Revolving Fund	66.468
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2008-1 – Preparation of Financial Statements in Accordance with GAAP**

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

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

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2008**

**(Continued)**

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

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

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

**2008-2 Capital Assets Records Maintained by the Auditor**

Criteria: Purchases, additions, disposals, and sale of assets must have prior approval from the appropriate officials. In addition, the financial statements must accurately report all capital assets and accumulated depreciation along with capital expenditures and depreciation expense.

Condition, Cause and Effect: The City has relied on its external auditor to maintain and update capital assets. Management has made the decision that it is in their best interest to have their external auditor maintain capital assets and compute depreciation rather than incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

View of Responsible Officials: The City finds it advantageous to apply the auditor's capital asset reports for GASB 34 reporting. Based on the technical depreciation software that is utilized by the auditor, the City has decided to review the capital asset reports on an annual basis and retain them.

**2008-3 Adjustments Proposed by the Auditor**

Criteria: The City is responsible for the reconciliation of all general ledger accounts for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Auditor identified journal entries to be posted to the City's financial records during the audit. The entries were needed to adjust year-end balances to be in conformity with generally accepted accounting principles.

Effect: We are pleased to assist in adjusting the City's general ledger, but are also required to communicate our part in completing the City's accounting records. A number of these journal entries are related to property taxes, intergovernmental activities, accounts payable, accounts receivable, and items required for the full-accrual presentation of the government-wide statements.

View of Responsible Officials: The City will ensure all general ledger accounts are reconciled on a timely basis with review and approval by the Board Treasurer.

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2008**

**(Continued)**

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

**SECTION IV - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - PRIOR YEAR**

**2007-1**      Comment - City of Hancock officials/personnel or NCI, third party administrators did not attend any MSHDA required Rental Rehabilitation or Grant related training. The training requirements are designed to keep grantees informed about changes in federal/state guidelines and best practices.

Recommendation - It is expected that City of Hancock officials/personnel or NCI, third party administrators attend the next available Rental Rehabilitation training offered by MSHDA in the spring of 2008 in Gaylord, Michigan. The training calendar is available on the following web site, [www.mittac.org](http://www.mittac.org).

Response - NCI, third party administrators will attend the class being offered in the spring of 2008 in Gaylord, Michigan, if no classes are offered prior to that at a closer location.

Follow up - MSHDA officials have provided on-sight training for current issues. Third party administrators have not attended any classes as of yet. They are planning on attending training classes offered in the spring of 2009.

**2007-2**      Comment - The City of Hancock held project advancements for over and beyond the time allotted by U.S. Department of Housing and Urban Development (HUD) and MSHDA guidelines. Grantees may request a disbursement equivalent to 60 days working capital for projects and/or administrative costs. If funds are held longer than 60 days, it will result in a monitoring finding (Policy Bulletin #2).

Recommendation - The City of Hancock will expend all remaining project advances within 20 days of this monitoring letter and submit an explanation letter describing why funds were held over and beyond this required time line. Additionally, submit to MSHDA a grant expenditure spreadsheet of accounts and acknowledgment of understanding, Policy Bulletin 2.

Response - A letter will be written explaining why funds were held over. A grant expenditure spreadsheet of accounts and acknowledgment of understanding Policy Bulletin 2 has already been submitted to MSHDA.

Follow up - MSHDA has received and accepted an explanation as to why funds were held over as well as a spreadsheet of accounts and acknowledgment of understanding.