

**CITY OF HANCOCK**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2024**

**CITY OF HANCOCK**

**June 30, 2024**

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**ADMINISTRATION**

City Manager..... Mary Babcock

**BOARD MEMBERS**

Mayor..... Kurt Rickard

Ward I..... Ron Blau

Ward II..... Rick Freeman

At Large..... Lisa McKenzie

At Large..... Mandy Lounibos

At Large..... Whitney Warstler

At Large..... Ryan Tanner

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# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hancock, Michigan as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Hancock, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hancock, Michigan, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hancock, Michigan's basic financial statements. The detailed schedule of revenues, expenditures and changes in fund balance, combining special revenue fund financial statements, Transit Fund Supplemental Information based on June 30, 2024 year end, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, Transit Fund Supplemental Information based on June 30, 2024 year end, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative information on pages 71 and 73 has been derived from the City's 2023 audit report dated December 15, 2023, in which we expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information and the related notes to the financial statements.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of the City of Hancock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Hancock's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hancock's internal control over financial reporting and compliance.

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

December 12, 2024

**CITY OF HANCOCK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2024**

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This section of City of Hancock's annual financial report presents management's discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2024. The analysis focuses on the City's financial performance as a whole. It is intended to be read as part of the City's financial statements, which immediately follows this section.

**Financial Highlights**

- The assets and deferred outflows of the City of Hancock's primary government exceeded its liabilities and deferred inflows at year end by \$22,652,761 (net position).
- The City of Hancock's total net position increased by \$3,501,204.
- The City of Hancock had charges for services of \$2,625,079 in governmental activities and \$2,272,802 for business-type activities and \$9,657,951 and \$2,996,117 in expenses for governmental and business-type activities respectively during the year ended June 30, 2024.
- At the close of the fiscal year, the City of Hancock's governmental activities reported a combined ending net position balance of \$12,391,157. This is an increase of \$2,173,222.
- At the end of the current fiscal year, the fund balance for the general fund was \$1,414,498. General fund operating transfers to other funds were \$76,539 in 2024 compared to \$21,800 in the prior year, an increase of \$55,187.

**Overview of the Financial Statements**

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

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

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

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

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



**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

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

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

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

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

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

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

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

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

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

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

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

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

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

Government-Wide Financial Analysis

Net position serves as an indicator of the City's financial position and overall performance. As shown on page 16 total assets and deferred outflows exceeded liabilities and deferred inflows by \$22,652,761 for the City's primary government.

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

	<b>Net Position</b>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Assets				
Current Assets	\$ 4,054,971	\$ 4,298,980	\$ 2,250,528	\$ 2,922,798
Capital assets - net	12,635,267	10,361,909	18,115,808	16,421,996
Total assets	<u>16,690,238</u>	<u>14,660,889</u>	<u>20,366,336</u>	<u>19,344,794</u>
Deferred outflows of resources - pension	893,650	1,112,907	137,004	171,164
Liabilities				
Current liabilities	1,473,153	1,536,166	703,017	718,940
Noncurrent liabilities	3,332,474	3,632,349	9,493,448	9,817,961
Total liabilities	<u>4,805,627</u>	<u>5,168,515</u>	<u>10,196,465</u>	<u>10,536,901</u>
Deferred inflows of resources - pension	356,791	357,938	45,271	45,435
Net position				
Net investment in capital assets	10,852,635	8,519,381	8,690,808	6,697,996
Restricted	1,553,480	1,765,832	548,707	774,057
Unrestricted	(14,958)	(67,278)	1,022,089	1,461,569
Total net position	<u>\$ 12,391,157</u>	<u>\$ 10,217,935</u>	<u>\$ 10,261,604</u>	<u>\$ 8,933,622</u>

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

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

Governmental Activities

As shown on the following table, governmental activities increased the City's net position by \$2,173,222. In prior year, the net position of governmental activities increased by \$152,063. The current to prior year change in governmental activities is due to an increase in overall revenues of \$4,663,749 and an increase in overall expenditures of \$2,642,590. The increase in revenues was mainly due to a combination of increases in charges for services, operating grants and contributions, property taxes, other income, and gain on sale of equipment and decreases in state shared revenue. The increase in expenses was mostly due to business technology park expenses, repairs to the Maasto Hiihto trails, and wages and benefits.

Business-type Activities

As shown below on the following table, business-type activities increased the City's net position by \$1,327,982. In prior year, the net position of business-type activities increased by \$158,861. The current to prior year change in business-type activities is due to an increase in overall revenues of \$1,394,893 and an increase in overall expenditures of \$225,772. The increase in overall revenue is mainly due to increases in grant revenue. The increase in expenditures was mainly due to increases in administration and operating and maintenance costs and depreciation.

**Results of Operations**

	Governmental Activities		Business-type Activities	
	2024	2023	2024	2023
Program Revenue:				
Charges for services	\$ 2,625,079	\$ 2,046,970	\$ 2,272,802	\$ 2,298,767
Operating grants and contributions	1,069,577	399,126	1,248,873	382,789
Capital grants and contributions	3,800,893	594,151	712,556	171,906
General Revenue:				
Property taxes	2,084,766	1,955,144	-	-
State shared revenue	1,752,457	1,791,315	-	-
Other	471,501	375,410	24,868	10,744
Gain on sale of equipment	42,092	20,500	-	-
Transfers	-	-	65,000	65,000
Total revenues	<u>11,846,365</u>	<u>7,182,616</u>	<u>4,324,099</u>	<u>2,929,206</u>
Functions/program expenses				
General government	2,446,033	1,823,120	-	-
Public safety	1,628,101	1,335,480	-	-
Public works	4,506,687	2,665,450	2,996,117	2,770,345
Sanitation	262,535	258,244	-	-
Recreation	595,880	746,288	-	-
Community and economic development	127,246	-	-	-
Interest on long-term debt	15,252	12,990	-	-
Other	76,217	92,454	-	-
Transfers	15,192	96,527	-	-
Total expenses	<u>9,673,143</u>	<u>7,030,553</u>	<u>2,996,117</u>	<u>2,770,345</u>
Change in net position	2,173,222	152,063	1,327,982	158,861
Net position - Beginning	<u>10,217,935</u>	<u>10,065,872</u>	<u>8,933,622</u>	<u>8,774,761</u>
Net position - Ending	<u>\$ 12,391,157</u>	<u>\$ 10,217,935</u>	<u>\$ 10,261,604</u>	<u>\$ 8,933,622</u>

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

**Significant Transactions and Changes in Individual Funds**

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

<u>GENERAL FUND</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 5,138,949	\$ 3,557,865	\$ 1,581,084
Expenditures/Transfers/Other	\$ 5,219,415	\$ 3,747,063	\$ 1,472,352
Fund Balance	\$ 1,414,498	\$ 1,494,964	\$ (80,466)

The General Fund had an increase in revenues of \$1,581,084 and an increase in expenditures of \$1,472,352. The increase in revenue is mainly due to increases in property taxes, state and federal revenue, ice rental fees and reimbursements, and American Rescue Plan Act (ARPA) grant revenue used for the purchase of the Quincy Green. Additional revenue was also raised for the purchase of the Ryan Street Garden from crowd funding (private donations) and an MEDC match to the crowd funding along with a grant from Copper Shores. The increase in expenditures was due to Maasto Hiihto trail repairs covered by FEMA grant revenue, an increase in utility costs as a result of running the Houghton County Arena, wage and benefit increases, an increase in business technology park expenses from prior year, and the purchase of the Quincy Green and Ryan Street Garden.

<u>SPECIAL REVENUE FUNDS</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
<b>Major Street Fund</b>			
Revenues/Transfers/Other	\$ 2,412,862	\$ 1,042,538	\$ 1,370,324
Expenditures/Transfers/Other	\$ 2,563,425	\$ 898,795	\$ 1,664,630
Fund Balance	\$ 544,386	\$ 694,949	\$ (150,563)
<b>Local Street Fund</b>			
Revenues/Transfers/Other	\$ 466,340	\$ 453,502	\$ 12,838
Expenditures/Transfers/Other	\$ 485,587	\$ 333,927	\$ 151,660
Fund Balance	\$ 658,730	\$ 677,977	\$ (19,247)
<b>Redevelopment Fund</b>			
Revenues/Transfers/Other	\$ 52,751	\$ 64,736	\$ (11,985)
Expenditures/Transfers/Other	\$ 127,246	\$ 19,540	\$ 107,706
Fund Balance	\$ 5,824	\$ 80,319	\$ (74,495)
<b>Parks and Recreation Fund</b>			
Revenues/Transfers/Other	\$ 108,246	\$ 110,177	\$ (1,931)
Expenditures/Transfers/Other	\$ 132,196	\$ 91,722	\$ 40,474
Fund Balance	\$ 17,741	\$ 18,613	\$ (872)

Major Street Fund - The increase in revenue is mainly due to State grant revenue received in current year for the construction of a new salt barn and an increase in Federal grant revenue for the business technology park. The expenditures increased due to the construction of the new salt barn, an increase in business technology park expenses and an increase in road paving projects.

Local Street Fund - There was no significant change in revenue from prior year. Expenditures increased due to road improvements done on Minnesota and North Prospect streets and an increase in equipment rental expense.

Redevelopment Fund - There was no significant change in revenue from prior year. The increase in expenditures was due to the purchase of three buildings and survey and engineering costs related to the purchase of the buildings.

Parks and Recreation Fund - There was no significant change in revenue from prior year. Expenses increased due to the purchase of recreation site signs and engineering fees, disc golf equipment, and upgrades to beach and ice arena bathrooms.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

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

ENTERPRISE FUNDS	2024	2023	Change
<b>Sewer Fund</b>			
Revenues/Transfers/Other	\$ 1,999,712	\$ 1,216,194	\$ 783,518
Expenditures/Transfers/Other	\$ 981,539	\$ 848,516	\$ 133,023
Net Position	\$ 4,775,397	\$ 4,057,224	\$ 718,173
<b>Water Fund</b>			
Revenues/Transfers/Other	\$ 1,892,916	\$ 1,336,681	\$ 556,235
Expenditures/Transfers/Other	\$ 1,571,677	\$ 1,445,064	\$ 126,613
Net Position	\$ 5,011,122	\$ 4,389,883	\$ 621,239
<b>Transit Fund</b>			
Revenues/Transfers/Other	\$ 431,471	\$ 376,331	\$ 55,140
Expenditures/Transfers/Other	\$ 442,901	\$ 476,765	\$ (33,864)
Net Position	\$ 475,085	\$ 486,515	\$ (11,430)

Sewer Fund - The Sewer Fund's revenues increased mainly due to higher amounts received for federal and state grants including ARPA revenue. Expenses increased due to increases in purchased services, wages, depreciation, and equipment rentals.

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

Transit Fund - The Transit Fund revenues increased mainly due to increases in state sources. The decrease in expenses is mainly due to a decrease in depreciation and wages.

DEBT SERVICE (BUILDING AUTHORITY)	2024	2023	Change
Revenues/Transfers/Other	\$ 133,395	\$ 135,368	\$ (1,973)
Expenditures/Transfers/Other	\$ 133,395	\$ 135,363	\$ (1,968)
Fund Balance	\$ 1,656	\$ 1,656	\$ -

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

CAPITAL PROJECTS (DEVELOPMENT)	2024	2023	Change
Revenues/Transfers/Other	\$ 48,029	\$ 16,933	\$ 31,096
Expenditures/Transfers/Other	\$ 17,821	\$ -	\$ 17,821
Fund Balance	\$ 137,072	\$ 106,864	\$ 30,208

Capital Projects Fund - The Capital Projects Fund had an increase in revenue due to more revenue received for lot sales than in prior year. The increase in expenditures was due to an increase in contracted services.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

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

INTERNAL SERVICE FUNDS

<u>Employee Benefits Fund</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 1,132,558	\$ 983,645	\$ 148,913
Expenditures/Transfers/Other	\$ 1,068,933	\$ 955,668	\$ 113,265
Fund Balance	\$ 227,260	\$ 163,635	\$ 63,625

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

<u>Motor Vehicle Fund</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues/Transfers/Other	\$ 825,625	\$ 622,479	\$ 203,146
Expenditures/Transfers/Other	\$ 649,389	\$ 709,055	\$ (59,666)
Fund Balance	\$ 612,364	\$ 331,628	\$ 280,736

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

**General Fund Budgetary Highlights**

During the year ended June 30, 2024, there were two budget amendments.

**Financial Analysis**

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

As of the end of the current fiscal year, the City's governmental funds reported combined unassigned fund balances of \$1,358,214.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,414,498. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents about 28% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$80,466 during the fiscal year.

Proprietary Funds - The City's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net position at the end of the year amounted to \$10,261,604.

**CITY OF HANCOCK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024**

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**Capital Assets and Debt Administration**

The City's net capital assets for the governmental and business-type activities as of June 30, 2024, amounts to \$30,751,075. Capital asset additions totaling \$5,767,299 include construction in progress on a salt barn and business technology park, two lawn mowers, gas boiler, ball field fencing, three police vehicles, vehicle for the motor vehicle fund, construction in progress on a roof replacement for the department of public works building, bucket truck, sander and catch basins on Water Street.

Additional information on the City's capital assets can be found on page 37 of this report.

Long-term Debt – At the end of the current fiscal year, the City had total debt of \$11,207,632.

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

**Request for Information**

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

**CITY OF HANCOCK**  
**STATEMENT OF NET POSITION**  
**June 30, 2024**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,134,625	\$ 1,090,502	\$ 3,225,127	\$ 106,985
Restricted cash	231,083	548,707	779,790	-
Receivables	65,799	202,012	267,811	-
Inventories	60,071	87,120	147,191	-
Prepaid expenses	79,088	3,295	82,383	-
Due from fiduciary funds	319	-	319	-
Due from other funds	5,235	(5,235)	-	-
Due from government units	1,478,751	324,127	1,802,878	-
Capital assets - net	<u>12,635,267</u>	<u>18,115,808</u>	<u>30,751,075</u>	<u>252,818</u>
Total assets	<u>16,690,238</u>	<u>20,366,336</u>	<u>37,056,574</u>	<u>359,803</u>
Deferred outflows of resources - pension	893,650	137,004	1,030,654	3,615
<b>Liabilities</b>				
Accounts payable and accrued expense	414,637	400,017	814,654	24,553
Unearned revenue	402,939	-	402,939	-
Lease payable, current	30,313	-	30,313	-
Bonds payable, due in one year	109,000	303,000	412,000	-
Note payable, due in one year	546,577	-	546,577	-
Unamortized premium on the issuance of bonds	9,865	-	9,865	-
Lease payable	104,098	-	104,098	-
Bonds payable, due in more than one year	622,000	9,122,000	9,744,000	-
Note payable, due in more than one year	360,779	-	360,779	-
Net pension liability	2,082,998	324,729	2,407,727	10,123
Compensated absences	<u>152,734</u>	<u>46,719</u>	<u>199,453</u>	<u>5,588</u>
Total liabilities	<u>4,835,940</u>	<u>10,196,465</u>	<u>15,032,405</u>	<u>40,264</u>
Deferred inflows of resources - pension	356,791	45,271	402,062	257
<b>Net position</b>				
Net investment in capital assets	10,852,635	8,690,808	19,543,443	252,818
Restricted				
Streets and highways	1,203,116	-	1,203,116	-
Redevelopment	5,824	-	5,824	-
Cemetery	188,071	-	188,071	-
Parks and recreation	17,741	-	17,741	-
Capital projects	137,072	-	137,072	-
Debt service	1,656	548,707	550,363	-
Unrestricted	<u>(14,958)</u>	<u>1,022,089</u>	<u>1,007,131</u>	<u>70,079</u>
Total net position	<u>\$ 12,391,157</u>	<u>\$ 10,261,604</u>	<u>\$ 22,652,761</u>	<u>\$ 322,897</u>

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



**CITY OF HANCOCK**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Grants and Contributions		Primary Government			Component Unit (DDA)
			Operating	Capital	Governmental	Business-Type	Total	
Government Activities								
General government	\$ 2,446,033	\$ 1,131,957	\$ 1,026,808	\$ 138,283	\$ (148,985)	\$ -	\$ (148,985)	\$ -
Public safety	1,628,101	2,835	3,018	-	(1,622,248)	-	(1,622,248)	-
Public works	4,506,687	772,129	-	3,610,696	(123,862)	-	(123,862)	-
Sanitation	262,535	127,752	-	-	(134,783)	-	(134,783)	-
Recreation and culture	595,880	177,803	-	-	(418,077)	-	(418,077)	-
Community and economic development	127,246	-	39,751	51,914	(35,581)	-	(35,581)	-
Interest on long-term debt	15,252	-	-	-	(15,252)	-	(15,252)	-
Other	76,217	412,603	-	-	336,386	-	336,386	-
Total governmental activities	<u>9,657,951</u>	<u>2,625,079</u>	<u>1,069,577</u>	<u>3,800,893</u>	<u>(2,162,402)</u>	<u>-</u>	<u>(2,162,402)</u>	<u>-</u>
Business-type activities:								
Water	1,571,677	1,174,088	-	712,556	-	314,967	314,967	-
Sewer	981,539	1,035,498	945,847	-	-	999,806	999,806	-
Transit	442,901	63,216	303,026	-	-	(76,659)	(76,659)	-
Total business-type activities	<u>2,996,117</u>	<u>2,272,802</u>	<u>1,248,873</u>	<u>712,556</u>	<u>-</u>	<u>1,238,114</u>	<u>1,238,114</u>	<u>-</u>
Total primary government	<u>\$ 12,654,068</u>	<u>\$ 4,897,881</u>	<u>\$ 2,318,450</u>	<u>\$ 4,513,449</u>	<u>(2,162,402)</u>	<u>1,238,114</u>	<u>(924,288)</u>	<u>-</u>
Component Unit	<u>\$ 416,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>-</u>	<u>-</u>	<u>(366,264)</u>	<u>(366,264)</u>
General revenues:								
Property taxes, levied for general operations					2,084,766	-	2,084,766	398,462
State shared revenue					1,752,457	-	1,752,457	-
Interest income and investment earnings					40,826	22,299	63,125	11,515
Operating transfers in (out)					(15,192)	65,000	49,808	(49,808)
Gain (loss) on sale of assets					42,092	-	42,092	-
Insurance recoveries					-	-	-	28,058
Other revenues					430,675	2,569	433,244	6,073
Total general revenues, transfers, and special items					<u>4,335,624</u>	<u>89,868</u>	<u>4,425,492</u>	<u>394,300</u>
Change in net position					2,173,222	1,327,982	3,501,204	28,036
Net position - Beginning of year					<u>10,217,935</u>	<u>8,933,622</u>	<u>19,151,557</u>	<u>294,861</u>
Net position - End of year					<u>\$ 12,391,157</u>	<u>\$ 10,261,604</u>	<u>\$ 22,652,761</u>	<u>\$ 322,897</u>

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

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2024**

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 584,217	\$ 368,261	\$ 934,732	\$ 1,887,210
Restricted cash	43,012	-	188,071	231,083
Accounts receivable	65,549	-	-	65,549
Due from other funds	42,497	-	-	42,497
Due from fiduciary funds	319	-	-	319
Due from government units	959,475	186,794	332,482	1,478,751
Inventories	6,854	13,726	3,013	23,593
Prepaid expenses	49,430	-	-	49,430
<b>Total assets</b>	<b><u>\$ 1,751,353</u></b>	<b><u>\$ 568,781</u></b>	<b><u>\$ 1,458,298</u></b>	<b><u>\$ 3,778,432</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 188,063	\$ 22,633	\$ 39,807	\$ 250,503
Accrued expenses	105,747	1,762	7,006	114,515
Unearned revenue	43,045	-	359,894	402,939
Due to other funds	-	-	42,497	42,497
<b>Total liabilities</b>	<b><u>336,855</u></b>	<b><u>24,395</u></b>	<b><u>449,204</u></b>	<b><u>810,454</u></b>
<b>Fund balances</b>				
<b>Nonspendable:</b>				
Inventories	6,854	13,726	3,013	23,593
Prepays	49,430	-	-	49,430
<b>Restricted:</b>				
Streets and highways	-	530,660	655,717	1,186,377
Parks and recreation	-	-	17,741	17,741
Redevelopment	-	-	5,824	5,824
Cemetery	-	-	188,071	188,071
Capital projects	-	-	137,072	137,072
Debt service	-	-	1,656	1,656
Unassigned	1,358,214	-	-	1,358,214
<b>Total fund balances</b>	<b><u>1,414,498</u></b>	<b><u>544,386</u></b>	<b><u>1,009,094</u></b>	<b><u>2,967,978</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,751,353</u></b>	<b><u>\$ 568,781</u></b>	<b><u>\$ 1,458,298</u></b>	<b><u>\$ 3,778,432</u></b>

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

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION (Continued)**  
**June 30, 2024**

Fund balance reported in governmental funds	\$ 2,967,978
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	11,499,280
Net pension liability	(2,082,998)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	536,859
Internal service fund is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net position.	870,399
Long-term liabilities, including bonds, notes, and lease payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,400,361)</u>
Net position of governmental activities	<u><u>\$ 12,391,157</u></u>

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

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2024**

	<u>Major Governmental Funds</u>			Total
	<u>General Fund</u>	<u>Major Street</u>	<u>Non Major</u>	<u>Governmental</u>
Revenues				
Property taxes	\$ 1,809,322	\$ -	\$ 275,444	\$ 2,084,766
State sources	966,089	1,559,471	330,703	2,856,263
Federal sources	986,085	847,870	-	1,833,955
Charges for services	720,993	-	-	720,993
Interest income	23,841	5,521	10,747	40,109
Other revenues	232,594	-	194,484	427,078
Total revenues	<u>4,738,924</u>	<u>2,412,862</u>	<u>811,378</u>	<u>7,963,164</u>
Expenditures				
General government	1,162,107	16,533	53,242	1,231,882
Public safety	1,622,841	-	-	1,622,841
Public works	358,867	2,546,892	577,412	3,483,171
Sanitation	263,164	-	-	263,164
Recreation and culture	1,437,503	-	120,657	1,558,160
Debt service	230,766	-	133,395	364,161
Other	67,628	-	-	67,628
Total expenditures	<u>5,142,876</u>	<u>2,563,425</u>	<u>884,706</u>	<u>8,591,007</u>
Excess (deficiency) of revenues over expenditures	<u>(403,952)</u>	<u>(150,563)</u>	<u>(73,328)</u>	<u>(627,843)</u>
Other financing sources (uses)				
Proceeds on sale of assets	25	-	-	25
Proceeds from the sale of long-term notes/loans	400,000	-	-	400,000
Operating transfers in (out)	(76,539)	-	11,539	(65,000)
Total other financing sources (uses)	<u>323,486</u>	<u>-</u>	<u>11,539</u>	<u>335,025</u>
Net change in fund balances	(80,466)	(150,563)	(61,789)	(292,818)
Fund balances - Beginning of year	<u>1,494,964</u>	<u>694,949</u>	<u>1,070,883</u>	<u>3,260,796</u>
Fund balances - End of year	<u>\$ 1,414,498</u>	<u>\$ 544,386</u>	<u>\$ 1,009,094</u>	<u>\$ 2,967,978</u>

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

**CITY OF HANCOCK**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2024**

Net change in fund balances - total governmental funds \$ (292,818)

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation 2,226,323

In the statement of activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 42,092

The receipt of capital asset transfers from other funds is not reported on the fund statements, but is reported as general revenues on the government wide statements 15,800

Long-term liabilities, including loan proceeds and principal, and lease proceeds and payments, are not due and payable in the current period and therefore are not reported in the funds. (40,643)

The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds (117,587)

This amount represents the current year bond premium amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. 2,467

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. (8,535)

Internal service fund is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities. 346,123

Change in net position of governmental activities \$ 2,173,222

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

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2024**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Major Funds		Non-Major Fund		Internal Service Funds
	Sewer Fund	Water Fund	Transit fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 825,840	\$ 264,054	\$ 608	\$ 1,090,502	\$ 247,415
Restricted cash	147,983	400,724	-	548,707	-
Accounts receivable	84,320	59,431	58,261	202,012	250
Inventories	47,731	39,389	-	87,120	36,478
Due from other funds	-	-	-	-	5,235
Due from government units	240,883	83,244	-	324,127	-
Prepaid expenses	-	-	3,295	3,295	29,658
Capital assets - net	5,432,677	12,160,938	522,193	18,115,808	1,135,987
<b>Total assets</b>	<b>6,779,434</b>	<b>13,007,780</b>	<b>584,357</b>	<b>20,371,571</b>	<b>1,455,023</b>
Deferred outflows of resources - pension	42,749	44,577	49,678	137,004	16,717
<b>Liabilities</b>					
Accounts payable	270,781	73,369	4,246	348,396	18,374
Accrued expenses	10,507	34,581	6,533	51,621	19,611
Due to other funds	-	-	5,235	5,235	-
Lease payable, current	-	-	-	-	25,968
Current maturities on long-term debt	42,000	261,000	-	303,000	127,538
Net pension liability	103,090	107,808	113,831	324,729	39,492
Lease payable	-	-	-	-	94,930
Compensated absences	14,207	17,356	15,156	46,719	-
Bonds/note payable	1,591,000	7,531,000	-	9,122,000	298,203
<b>Total liabilities</b>	<b>2,031,585</b>	<b>8,025,114</b>	<b>145,001</b>	<b>10,201,700</b>	<b>624,116</b>
Deferred inflows of resources - pension	15,201	16,121	13,949	45,271	8,000
<b>Net Position</b>					
Net investment in capital assets	3,799,677	4,368,938	522,193	8,690,808	710,246
Restricted - debt service	147,983	400,724	-	548,707	-
Unrestricted	827,737	241,460	(47,108)	1,022,089	129,378
<b>Total net position</b>	<b>4,775,397</b>	<b>5,011,122</b>	<b>475,085</b>	<b>10,261,604</b>	<b>839,624</b>

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

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2024**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Major Funds		Non-Major Funds		Internal Service Fund
	Sewer Fund	Water Fund	Transit fund		
Operating revenues:					
Charges for services	\$ 1,035,498	\$ 1,174,088	\$ 63,216	\$ 2,272,802	\$ 1,904,086
Federal operating grants	-	-	76,825	76,825	-
State operating grants	-	-	226,201	226,201	-
Other revenues	455	2,114	-	2,569	3,572
Total operating revenues	<u>1,035,953</u>	<u>1,176,202</u>	<u>366,242</u>	<u>2,578,397</u>	<u>1,907,658</u>
Operating expenses					
General administration	53,012	72,148	126,304	251,464	1,074,991
Meter reading	2,695	7,864	-	10,559	-
Purchased services	434,496	294,063	-	728,559	-
Operations and maintenance	283,286	477,154	254,589	1,015,029	427,052
Depreciation	170,936	536,276	62,008	769,220	195,624
Total operating expenses	<u>944,425</u>	<u>1,387,505</u>	<u>442,901</u>	<u>2,774,831</u>	<u>1,697,667</u>
Operating income (loss)	<u>91,528</u>	<u>(211,303)</u>	<u>(76,659)</u>	<u>(196,434)</u>	<u>209,991</u>
Non-operating revenues (expenses)					
Capital asset transfer	-	-	-	-	(15,800)
Interest income	17,912	4,158	229	22,299	717
Interest expense	(37,114)	(184,172)	-	(221,286)	(20,655)
Total non-operating revenues (expenses)	<u>(19,202)</u>	<u>(180,014)</u>	<u>229</u>	<u>(198,987)</u>	<u>(35,738)</u>
Income (loss) before capital contributions and transfers	<u>72,326</u>	<u>(391,317)</u>	<u>(76,430)</u>	<u>(395,421)</u>	<u>174,253</u>
Capital contributions					
Federal grants	919,232	696,463	-	1,615,695	120,300
State grants	26,615	16,093	-	42,708	-
Total capital contributions	<u>945,847</u>	<u>712,556</u>	<u>-</u>	<u>1,658,403</u>	<u>120,300</u>
Transfers in	<u>(300,000)</u>	<u>300,000</u>	<u>65,000</u>	<u>65,000</u>	<u>49,808</u>
Change in net position	718,173	621,239	(11,430)	1,327,982	344,361
Net position (deficit), beginning of the year	4,057,224	4,389,883	486,515	8,933,622	495,263
Net position (deficit), end of year	<u>\$ 4,775,397</u>	<u>\$ 5,011,122</u>	<u>\$ 475,085</u>	<u>\$ 10,261,604</u>	<u>\$ 839,624</u>

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

**CITY OF HANCOCK**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2024**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Funds			Total	Internal
	Sewer Fund	Water Fund	Transit fund		Service Funds
Cash flows from operating activities					
Receipts from customers	\$ 1,032,075	\$ 1,168,228	\$ 31,360	\$ 2,231,663	\$ 1,907,907
Payments to suppliers	(591,688)	(741,933)	(319,408)	(1,653,029)	(1,351,225)
Payments to employees	(122,835)	(139,018)	(59,528)	(321,381)	(197,947)
Other receipts (payments)	-	-	303,026	303,026	-
Net cash provided by operating activities	<u>317,552</u>	<u>287,277</u>	<u>(44,550)</u>	<u>560,279</u>	<u>358,735</u>
Cash flows from noncapital financing activities					
Operating subsidies and transfers to other funds	<u>(270,000)</u>	<u>281,000</u>	<u>43,965</u>	<u>54,965</u>	<u>(50,157)</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	(1,636,779)	(826,252)	-	(2,463,031)	(200,566)
Principal paid on capital debt	(41,000)	(258,000)	-	(299,000)	(175,352)
Non-operating grants	945,847	712,556	-	1,658,403	120,300
Interest paid on capital debt	(37,114)	(184,172)	-	(221,286)	(20,655)
Loan proceeds	-	-	-	-	77,280
Net cash (used) by capital and related financing activities	<u>(769,046)</u>	<u>(555,868)</u>	<u>-</u>	<u>(1,324,914)</u>	<u>(198,993)</u>
Cash flows from investing activities					
Interest and dividends	<u>17,912</u>	<u>4,158</u>	<u>229</u>	<u>22,299</u>	<u>717</u>
Net (decrease) in cash	(703,582)	16,567	(356)	(687,371)	110,302
Balances - beginning of the year	<u>1,677,405</u>	<u>648,211</u>	<u>964</u>	<u>2,326,580</u>	<u>137,113</u>
Balances - end of the year	<u>\$ 973,823</u>	<u>\$ 664,778</u>	<u>\$ 608</u>	<u>\$ 1,639,209</u>	<u>\$ 247,415</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 91,528	\$ (211,303)	\$ (76,659)	\$ (196,434)	\$ 209,991
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	170,936	536,276	62,008	769,220	195,624
Change in assets and liabilities:					
Receivables, net	(3,878)	(7,974)	(31,856)	(43,708)	249
Due to/from other governmental units	13,317	25,295	-	38,612	-
Deferred outflows and inflows	10,159	10,159	13,678	33,996	3,587
Inventory	(6,090)	6,532	-	442	1,322
Prepaid expenses	-	-	(413)	(413)	(3,721)
Net pension liability	(5,061)	(5,061)	(6,953)	(17,075)	(1,825)
Accounts and other payables	62,090	(68,965)	(5,088)	(11,963)	(48,260)
Accrued expenses	(15,449)	2,318	733	(12,398)	1,768
Net cash provided by operating activities	<u>\$ 317,552</u>	<u>\$ 287,277</u>	<u>\$ (44,550)</u>	<u>\$ 560,279</u>	<u>\$ 358,735</u>

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



**CITY OF HANCOCK**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2024**

	<u>Custodial Fund</u>
Assets	
Cash and equivalents	\$ 1,077
Total assets	<u>1,077</u>
Liabilities	
Due to other funds	319
Due to other governmental units	<u>758</u>
Total liabilities	<u>1,077</u>
Net position-restricted for	
Individuals, organizations, and other governments	<u>-</u>
Total net position	<u>\$ -</u>

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

**CITY OF HANCOCK**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended June 30, 2024**

	<u>Custodial Fund</u>
Additions	
Property taxes collected	<u>\$ 6,474,221</u>
Deductions	
Property taxes distributed	<u>6,474,221</u>
Net increase (decrease) in fiduciary net position	-
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ -</u></u>

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

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

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

**REPORTING ENTITY**

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

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

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

*Hancock Housing Commission*

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

Audited financial information of the Hancock Housing Commission as of and for the year ended December 31, 2023 is as follows:

Total Assets	\$	1,594,287
Total Liabilities	\$	112,101
Total Net Position	\$	1,482,186
Total Revenues	\$	1,192,783
Total Expenses	\$	947,988
Net Operating Income	\$	39,633

*Portage Lake Water and Sewage Authority*

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

A summary of the Authority's financial information for the year ended June 30, 2024 (most recent year audited) shows the following:

Total Assets	\$ 10,499,645
Total Liabilities	\$ 1,008,059
Total Net Position	\$ 9,491,586
Total Revenues	\$ 1,931,882
Total Expenses	\$ 1,933,486
Long-Term Debt	\$ 572,054

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

**COMPONENT UNITS**

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

**DISCRETELY PRESENTED COMPONENT UNITS**

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

**BLENDED COMPONENT UNITS**

City of Hancock Building Authority

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

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

The City does not allocate indirect costs.

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

**PROPRIETARY FUND TYPES**

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

The City reports the following proprietary funds:

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

The City reports the following major enterprise funds:

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

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

The City reports the following non-major fund:

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

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

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

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

*Other Accounting Policies*

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

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

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



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

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

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

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

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

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

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

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

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

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

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

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

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

**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, 2024, the City's budget had been amended.
5. The City allows all unencumbered and unexpended appropriations to lapse at year end.

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

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

**NOTE C - CASH**

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

	<u>Governmental</u>	<u>Enterprise Fund</u>	<u>Total</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>
Cash and cash equivalents	\$ 2,134,625	\$ 1,090,502	\$ 3,225,127	\$ 106,985	\$ -
Restricted cash	231,083	548,707	779,790	-	1,077
Total cash	<u>\$ 2,365,708</u>	<u>\$ 1,639,209</u>	<u>\$ 4,004,917</u>	<u>\$ 106,985</u>	<u>\$ 1,077</u>

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

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

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

**NOTE C - CASH (Continued)**

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

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2024, \$1,127,506 of the City’s bank balance of \$4,115,795 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

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

Restricted Cash

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

<u>General Fund</u>		<u>Other Funds</u>		<u>Enterprise Funds</u>	
Main Street Local	\$ 43,012	Cemetery Perpetual	\$ 188,071	Water Fund	\$ 400,724
				Sewer Fund	\$ 147,983

General Fund: Main Street Local Pool: In 1993, funds were received from the Department of Housing and Urban Development to establish a revolving loan pool in cooperation with Main Street Hancock Inc., a current domestic Michigan non-profit corporation. The funds are restricted to be used in the revolving loan program or to further the goals of the original grant in which the funds were received. The \$43,012 represents the balance of the commercial loan program. As of June 30, 2024, there were no outstanding loan balances.

Enterprise Funds: Certain proceeds from operations are restricted for the payment of revenue and general obligation bonds and, accordingly, are recorded as restricted assets in the amount of \$548,707 as of June 30, 2024. Use of these restricted assets are limited by applicable bond indentures and ordinances.

The Cemetery Perpetual Care Trust balance of \$188,071 is reserved for the perpetual care of cemetery lots.

**NOTE D - TRANSFERS AND INTERFUND BALANCES**

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

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Transit fund	\$ 65,000	General fund	\$ 76,539
Parks and recreation fund	11,539	DDA fund	49,808
Motor vehicle	49,808	Sewer	300,000
Water	300,000		
<b>Total</b>	<b>\$ 426,347</b>	<b>Total</b>	<b>\$ 426,347</b>

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

The transfers from the General Fund to the Transit fund represent the use of unrestricted resources to finance those projects, in accordance with budgetary authorizations. The transfers from the General Fund to the Parks & Recreation fund are for a small building project in accordance with budgetary authorizations. The transfer from the DDA to the Motor Vehicle Fund are for budgeted snow removal equipment used in the DDA district and labor to operate the equipment. The transfer from the Sewer Fund to the Water Fund was for a short term cash flow need, the Water Fund transferred funds back to the Sewer Fund within 30 days.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 42,497	Transit fund	\$ 5,235
Employee Benefits	5,235	Redevelopment	42,497
Total	<u>\$ 47,732</u>	Total	<u>\$ 47,732</u>

The amount due from the Transit Fund are for fringe benefit costs paid for by the Employee Benefit Fund on behalf of those funds and not yet repaid as of June 30, 2024. The amounts due from the Re-development Fund to the General Fund are redevelopment costs paid for by the General Fund and not yet repaid as of June 30, 2024.

**NOTE E - CAPITAL ASSETS**

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

	<u>Balance July 01, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Capital assets, not being depreciated				
Land	\$ 438,896	\$ 210,730	\$ -	\$ 649,626
Construction in progress	360,217	154,263	360,217	154,263
Subtotal	<u>\$ 799,113</u>	<u>\$ 364,993</u>	<u>\$ 360,217</u>	<u>\$ 803,889</u>
Capital assets and intangibles, being depreciated and amortized				
Buildings	3,002,247	\$ 1,038,957	\$ -	4,041,204
Equipment	1,801,746	117,323	-	1,919,069
Improvements	11,235,120	1,926,457	-	13,161,577
Vehicles	2,546,698	98,477	-	2,645,175
Right of use assets, equipment	368,107	-	144,974	223,133
Subtotal	<u>18,953,918</u>	<u>\$ 3,181,214</u>	<u>\$ 144,974</u>	<u>21,990,158</u>
Accumulated depreciation and amortization				
Building	1,809,837	\$ 81,804	\$ -	1,891,641
Equipment	1,075,010	112,009	-	1,187,019
Improvements	4,495,321	554,632	-	5,049,953
Vehicles	1,832,375	106,165	-	1,938,540
Right of use assets, equipment	178,579	58,022	144,974	91,627
Subtotal	<u>9,391,122</u>	<u>\$ 912,632</u>	<u>\$ 144,974</u>	<u>10,158,780</u>
Net capital assets being depreciated	<u>9,562,796</u>			<u>11,831,378</u>
Net capital assets	<u>\$ 10,361,909</u>			<u>\$ 12,635,267</u>

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

Depreciation	
General Fund	\$ 213,924
DDA	90,525
Major Streets Fund	400,786
Local Streets Fund	6,513
Motor Vehicle Fund	<u>142,862</u>
	854,610
Amortization	
Motor Vehicle Fund - Right of use	52,762
General Fund - Right of use	<u>5,260</u>
	58,022
Total	<u><u>\$ 912,632</u></u>

The components of property, plant, and equipment in City proprietary funds at June 30, 2024 are summarized as follows:

	Balance July 01, 2023	Additions	Deletions	Balance June 30, 2024
<b>TRANSIT FUND</b>				
Capital assets, being depreciated				
Buildings	\$ 716,473	\$ -	\$ -	\$ 716,473
Equipment	43,120	-	-	43,120
Vehicles	414,109	-	-	414,109
Subtotal	<u>1,173,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,173,702</u>
Accumulated depreciation:				
Buildings	219,419	\$ 17,912	\$ -	237,331
Equipment	43,120	-	-	43,120
Vehicles	326,962	44,096	-	371,058
Subtotal	<u>589,501</u>	<u>\$ 62,008</u>	<u>\$ -</u>	<u>651,509</u>
Net capital assets	<u>\$ 584,201</u>			<u>\$ 522,193</u>
<b>SEWER DISPOSAL FUND</b>				
Capital assets, not being depreciated				
Construction in progress	\$ 329,039	\$ 301,466	\$ 261,580	\$ 368,925
Capital assets, being depreciated				
Buildings	\$ 754,727	\$ -	\$ -	\$ 754,727
Vehicles	7,500	-	-	7,500
Furniture and equipment	11,300	-	-	11,300
Utility system	9,720,534	1,596,893	-	11,317,427
Subtotal	<u>10,494,061</u>	<u>\$ 1,596,893</u>	<u>\$ -</u>	<u>12,090,954</u>
Accumulated depreciation:				
Buildings	754,726	\$ -	\$ -	754,726
Vehicles	7,500	-	-	7,500
Furniture and equipment	1,749	1,614	-	3,363
Utility system	6,092,291	169,322	-	6,261,613
Subtotal	<u>6,856,266</u>	<u>\$ 170,936</u>	<u>\$ -</u>	<u>7,027,202</u>
Net capital assets	<u>\$ 3,966,834</u>			<u>\$ 5,432,677</u>

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

	Balance July 01, 2023	Additions	Deletions	Balance June 30, 2024
<b>WATER SUPPLY FUND</b>				
Capital assets, not being depreciated				
Construction in progress	\$ 158,165	\$ -	\$ 158,165	\$ -
Capital assets, being depreciated				
Buildings	1,700,560	\$ -	\$ -	1,700,560
Equipment	13,382	-	-	13,382
Vehicles	7,500	-	-	7,500
Land	73,500	-	-	73,500
Loan fees/lease	238,496	-	-	238,496
Utility system	18,932,132	984,416	-	19,916,548
Subtotal	<u>20,965,570</u>	<u>\$ 984,416</u>	<u>\$ -</u>	<u>21,949,986</u>
Accumulated depreciation:				
Buildings	1,645,692	\$ -	\$ -	1,645,692
Equipment	13,381	-	-	13,381
Vehicles	6,500	-	-	6,500
Loan fees/lease	219,210	4,490	-	223,700
Utility system	7,367,989	531,786	-	7,899,775
Subtotal	<u>9,252,772</u>	<u>\$ 536,276</u>	<u>\$ -</u>	<u>9,789,048</u>
Net capital assets	<u>\$ 11,870,963</u>			<u>\$ 12,160,938</u>
	Balance July 01, 2023	Additions	Deletions	Balance June 30, 2024
<b>DDA FUND</b>				
Capital assets, not being depreciated				
Land	\$ 20,242	\$ 20,242	\$ -	\$ 40,484
Capital assets and intangibles, being depreciated and amortized				
Buildings	87,050	\$ -	\$ -	87,050
Equipment	141,094	40,213	-	181,307
Subtotal	<u>228,144</u>	<u>\$ 40,213</u>	<u>\$ -</u>	<u>268,357</u>
Accumulated depreciation and amortization				
Building	2,324	\$ 3,099	\$ -	5,423
Equipment	1,324	8,792	-	10,116
Subtotal	<u>3,648</u>	<u>\$ 11,891</u>	<u>\$ -</u>	<u>15,539</u>
Net capital assets being depreciated	<u>224,496</u>			<u>252,818</u>
Net capital assets	<u>\$ 224,496</u>			<u>\$ 252,818</u>

**NOTE F - PAYABLES**

Accounts payable and accrued liabilities as of June 30, 2024, for the City’s governmental funds individual major funds and non-major funds in the aggregate, and component unit are as follows:

Payables	Governmental	Business-type	Total	Component Unit - DDA
Accounts payable	\$ 268,877	\$ 348,396	\$ 617,273	\$ 20,789
Accrued expenses	145,760	51,621	197,381	3,764
Total	<u>\$ 414,637</u>	<u>\$ 400,017</u>	<u>\$ 814,654</u>	<u>\$ 24,553</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

Accumulated unpaid vacation and sick leave at June 30, 2024 was \$78,910 and \$126,131 respectively.

**NOTE H - LONG TERM DEBT**

**GOVERNMENTAL ACTIVITIES**

2015 Advance Refunding: On October 7, 2015, the City of Hancock issued limited tax general obligation refunding bonds, series 2015 of \$1,240,000. Proceeds from this bond issue were used to payoff the 1997 and 1998 Building Authority bonds and the U.S. Department of Agriculture Community Facilities Loans. The bond was split into three separate bond schedules. Premium on bond in the amount of \$32,062 is being amortized over the life of the bond. Current portion of amortization is \$2,467.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 30,000	\$ 3,455	\$ 33,455
2025-2026	30,000	2,600	32,600
2026-2027	35,000	1,400	36,400
	<u>\$ 95,000</u>	<u>\$ 7,455</u>	<u>\$ 102,455</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 55,000	\$ 9,168	\$ 64,168
2025-2026	60,000	7,600	67,600
2026-2027	65,000	5,200	70,200
2027-2028	65,000	2,600	67,600
	<u>\$ 245,000</u>	<u>\$ 24,568</u>	<u>\$ 269,568</u>



**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 24,000	\$ 9,775	\$ 33,775
2025-2026	24,000	9,175	33,175
2026-2027	25,000	8,575	33,575
2027-2028	25,000	7,950	32,950
2028-2029	26,000	7,325	33,325
2029-2030	27,000	6,675	33,675
2030-2031	27,000	6,000	33,000
2031-2032	28,000	5,324	33,324
2032-2037	153,000	15,750	168,750
2037-2038	32,000	800	32,800
	<u>\$ 391,000</u>	<u>\$ 77,349</u>	<u>\$ 468,349</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 19,039	\$ 3,918	\$ 22,957
2025-2026	19,959	2,998	22,957
2026-2027	20,912	2,045	22,957
2027-2028	21,706	1,047	22,753
	<u>\$ 81,616</u>	<u>\$ 10,008</u>	<u>\$ 91,624</u>

The Miners Bank: On June 27, 2024 the City of Hancock signed the issuance of its \$400,000 tax anticipation note, series 2024 (limited tax general obligation) in anticipation of the collection of the operating taxes for the fiscal year beginning July 1, 2024 for the purpose of obtaining funds to meet operating expenses of the City. The loan has an interest rate of 5.96% per annum and is payable in full on December 27, 2024.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 400,000	\$ 11,920	\$ 411,920

**GOVERNMENTAL FUNDS - CAPITAL LEASES**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 4,345	\$ 490	\$ 4,835
2026-2027	4,503	332	4,835
2027-2028	4,665	170	4,835
	<u>\$ 13,513</u>	<u>\$ 992</u>	<u>\$ 14,505</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

ENTERPRISE FUNDS

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 25,000	\$ 25,042	\$ 50,042
2025-2026	25,000	24,386	49,386
2026-2027	26,000	22,370	48,370
2027-2028	27,000	23,048	50,048
2028-2029	27,000	22,339	49,339
2029-2030	28,000	21,630	49,630
2030-2031	29,000	20,895	49,895
2031-2032	30,000	20,134	50,134
2032-2037	160,000	88,594	248,594
2037-2042	185,000	66,281	251,281
2042-2047	210,000	40,687	250,687
2047-2052	182,000	11,996	193,996
	<u>\$ 954,000</u>	<u>\$ 387,402</u>	<u>\$ 1,341,402</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 77,000	\$ 68,566	\$ 145,566
2025-2026	79,000	66,738	145,738
2026-2027	81,000	64,861	145,861
2027-2028	83,000	62,938	145,938
2028-2029	85,000	60,966	145,966
2029-2030	87,000	58,948	145,948
2030-2031	89,000	56,881	145,881
2031-2032	91,000	54,768	145,768
2032-2037	490,000	240,326	730,326
2037-2042	551,000	179,265	730,265
2042-2047	620,000	110,675	730,675
2047-2052	554,000	33,392	587,392
	<u>\$ 2,887,000</u>	<u>\$ 1,058,324</u>	<u>\$ 3,945,324</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 42,000	\$ 42,315	\$ 84,315
2025-2026	43,000	41,200	84,200
2026-2027	44,000	40,058	84,058
2027-2028	46,000	38,876	84,876
2028-2029	47,000	37,655	84,655
2029-2030	48,000	36,408	84,408
2030-2031	49,000	35,135	84,135
2031-2032	51,000	33,823	84,823
2032-2037	274,000	148,182	422,182
2037-2042	312,000	109,781	421,781
2042-2047	355,000	66,086	421,086
2047-2052	322,000	17,248	339,248
	<u>\$ 1,633,000</u>	<u>\$ 646,767</u>	<u>\$ 2,279,767</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 120,000	\$ 54,250	\$ 174,250
2025-2026	125,000	51,250	176,250
2026-2027	125,000	48,125	173,125
2027-2028	130,000	45,000	175,000
2028-2029	135,000	41,750	176,750
2029-2030	135,000	38,375	173,375
2030-2031	140,000	35,000	175,000
2031-2032	145,000	31,500	176,500
2032-2037	780,000	101,375	881,375
2037-2042	335,000	12,625	347,625
	<u>\$ 2,170,000</u>	<u>\$ 459,250</u>	<u>\$ 2,629,250</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 38,000	\$ 30,030	\$ 68,030
2025-2026	39,000	29,365	68,365
2026-2027	40,000	28,683	68,683
2027-2028	40,000	27,983	67,983
2028-2029	41,000	27,282	68,282
2029-2030	42,000	26,565	68,565
2030-2031	43,000	25,830	68,830
2031-2032	44,000	25,078	69,078
2032-2037	235,000	113,488	348,488
2037-2042	260,000	92,050	352,050
2042-2047	289,000	68,320	357,320
2047-2052	322,000	41,895	363,895
2052-2057	283,000	12,548	295,548
	<u>\$ 1,716,000</u>	<u>\$ 549,117</u>	<u>\$ 2,265,117</u>

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 1,000	\$ 1,138	\$ 2,138
2025-2026	1,000	1,120	2,120
2026-2027	1,000	1,063	2,063
2027-2028	1,000	1,085	2,085
2028-2029	1,000	1,068	2,068
2029-2030	2,000	1,050	3,050
2030-2031	2,000	1,015	3,015
2031-2032	2,000	980	2,980
2032-2037	10,000	4,375	14,375
2037-2042	10,000	3,500	13,500
2042-2047	10,000	2,625	12,625
2047-2052	10,000	1,750	11,750
2052-2057	14,000	770	14,770
	<u>\$ 65,000</u>	<u>\$ 21,539</u>	<u>\$ 86,539</u>

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

**INTERNAL SERVICE FUNDS - INSTALLMENT LOANS**

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

<u>Purpose of Note</u>	<u>Date</u>	<u>Original</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>	<u>Current</u>
2011 Sander	4/20/11	\$ 187,000	10/1/26	4.13 %	\$ 23,500	\$ 11,500
2011 Grader	4/20/11	\$ 130,000	4/1/26	4.00 %	\$ 31,500	\$ 15,000
2020 Snow Blower	1/24/2020	\$ 143,773	1/24/25	2.75 %	\$ 30,180	\$ 30,180
2021 Grader	11/23/21	\$ 158,575	7/23/26	1.88 %	\$ 95,280	\$ 32,094
2023 Sander	4/26/23	\$ 192,002	5/1/30	4.40 %	\$ 168,000	\$ 25,000
2024 Wheel Loader	4/5/24	\$ 77,280	4/1/29	5.87 %	\$ 77,280	\$ 13,763
Total					<u>\$ 425,740</u>	<u>\$ 127,537</u>

**INTERNAL SERVICE FUNDS - CAPITAL LEASES**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2025	\$ 25,968	\$ 3,670	\$ 29,638
2025-2026	26,744	2,893	29,637
2026-2027	68,186	2,220	70,406
	<u>\$ 120,898</u>	<u>\$ 8,783</u>	<u>\$ 129,681</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

Long-term debt liabilities for governmental activities, are reported in and liquidated through the General, Major and Local Street, Parks and Recreation, Building Authority, Employee Benefits and Motor Vehicle funds for the fiscal year ended June 30, 2024, was as follows:

	Balance July 01, 2023	Increase	Decrease	Balance June 30, 2024	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
Superior National Bank - Fire truck	\$ 39,744	\$ -	\$ 39,744	\$ -	\$ -
MDOT State Infrastructure Bank Loan	189,034	-	189,034	-	-
The Miners State Bank - Tax Anticipation Loan	-	400,000	-	400,000	400,000
2015 Refunding Bond:					
Fire Hall	125,000	-	30,000	95,000	30,000
Public Works Garage	300,000	-	55,000	245,000	55,000
2021 Refunding (2008A and 2008B) Bonds					
Superior National Bank - 224 Quincy Street	414,000	-	23,000	391,000	24,000
Premium on 2015 refunding bond	100,000	-	18,384	81,616	19,039
Axon taser lease	12,332	-	2,466	9,866	-
	17,707	-	4,194	13,513	4,345
	<u>1,197,817</u>	<u>400,000</u>	<u>361,822</u>	<u>1,235,995</u>	<u>532,384</u>
<b>INTERNAL SERVICE FUND</b>					
Installment Loans	498,600	77,280	150,140	425,740	127,538
2021 Caterpillar lease	146,111	-	25,213	120,898	25,968
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 1,842,528</u>	<u>\$ 477,280</u>	<u>\$ 537,175</u>	<u>\$ 1,782,633</u>	<u>\$ 685,890</u>
<b>ENTERPRISE FUNDS</b>					
2010 Sanitary Sewage Disposal Bonds	\$ 1,674,000	\$ -	\$ 41,000	\$ 1,633,000	\$ 42,000
2011A Water Supply System Bonds	978,000	-	24,000	954,000	25,000
2011B Water Supply System Bonds	2,963,000	-	76,000	2,887,000	77,000
2016A Water Revenue Bond	1,753,000	-	37,000	1,716,000	38,000
2016B Water Revenue Bond	66,000	-	1,000	65,000	1,000
2008 Water Supply System Bond	2,290,000	-	120,000	2,170,000	120,000
<b>TOTAL ENTERPRISE FUNDS</b>	<u>\$ 9,724,000</u>	<u>\$ -</u>	<u>\$ 299,000</u>	<u>\$ 9,425,000</u>	<u>\$ 303,000</u>
Accrued compensated absences	<u>\$ 195,519</u>	<u>\$ 9,521</u>	<u>\$ -</u>	<u>\$ 205,040</u>	

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

GOVERNMENTAL ACTIVITIES			
Fiscal Year	Principal	Interest	Total
2024-2025	\$ 528,039	\$ 38,236	\$ 566,275
2025-2026	133,959	22,373	156,332
2026-2027	145,912	17,220	163,132
2027-2028	111,706	11,597	123,303
2028-2029	26,000	7,325	33,325
2029-2030	27,000	6,675	33,675
2030-2031	27,000	6,000	33,000
2031-2032	28,000	5,324	33,324
2032-2037	153,000	15,750	168,750
2037-2042	32,000	800	32,800
	<u>\$ 1,212,616</u>	<u>\$ 131,300</u>	<u>\$ 1,343,916</u>

INTERNAL SERVICE FUNDS			
Fiscal Year	Principal	Interest	Total
2024-2025	\$ 127,537	\$ 16,532	\$ 144,069
2025-2026	101,434	12,100	113,534
2026-2027	73,179	8,354	81,533
2027-2028	45,307	5,965	51,272
2028-2029	47,283	3,713	50,996
2029-2030	31,000	1,364	32,364
	<u>\$ 425,740</u>	<u>\$ 48,028</u>	<u>\$ 473,768</u>

ENTERPRISE FUNDS			
Fiscal Year	Principal	Interest	Total
2024-2025	\$ 303,000	\$ 221,341	\$ 524,341
2025-2026	312,000	214,059	526,059
2026-2027	317,000	205,160	522,160
2027-2028	327,000	198,930	525,930
2028-2029	336,000	191,060	527,060
2029-2030	342,000	182,976	524,976
2030-2031	352,000	174,756	526,756
2031-2032	363,000	166,283	529,283
2032-2037	1,949,000	696,340	2,645,340
2037-2042	1,653,000	463,502	2,116,502
2042-2047	1,484,000	288,393	1,772,393
2047-2052	1,390,000	106,281	1,496,281
2052-2057	297,000	13,318	310,318
	<u>\$ 9,425,000</u>	<u>\$ 3,122,399</u>	<u>\$ 12,547,399</u>

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

**NOTE I - PENSION PLAN**

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

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

Employees covered by benefit terms - At the December 31, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits (including refunds)	11
Active employees	<u>16</u>
Total employees covered by MERS	<u><u>40</u></u>

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

Net Pension Liability - The City's Net Pension Liability reported as of June 30, 2024 was measured as of December 31, 2023 and was determined by an annual actuarial valuation as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/22	\$ 5,704,269	\$ 3,168,821	\$ 2,535,448
Service cost	139,633	-	139,633
Interest on total pension liability	401,796	-	401,796
Changes in benefits	-	-	-
Difference between expected and actual experience	45,456	-	45,456
Changes in assumptions	45,377	-	45,377
Employer contributions	-	347,497	(347,497)
Employee contributions	-	51,296	(51,296)
Net investment income	-	362,487	(362,487)
Benefit payments, including employee refunds	(356,074)	(356,074)	-
Administrative expense	-	(7,502)	7,502
Other changes	3,918	-	3,918
Net changes	<u>280,106</u>	<u>397,704</u>	<u>(117,598)</u>
Balances as of 12/31/23	<u><u>\$ 5,984,375</u></u>	<u><u>\$ 3,566,525</u></u>	<u><u>\$ 2,417,850</u></u>



**CITY OF HANCOCK  
 NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

Actuarial assumptions - The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.00%	
Salary increases	3.00%	In the long term
Investment rate of return	6.93%	Net of investment and administrative expense including inflation.

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

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

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

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2023, the measurement date, for each major asset class summarized in the following table:

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

Discount rate - The discount rate used to measure the total pension liability is 7.18% for 2023. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate - The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.18%, as well as what the City’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

**CITY OF HANCOCK  
NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

	1%	Current	1%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
Net pension liability of the City	\$ 3,130,428	\$ 2,417,850	\$ 1,823,212

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

Pension expense and deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pensions - For the year ended June 30, 2024 the City recognized pension expense of \$499,799. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred	Deferred
	Outflow	Inflow
	<u>of Resources</u>	<u>of Resources</u>
Differences in experience	\$ 88,170	\$ 51,843
Differences in assumptions	230,039	-
Excess (deficit) investment returns	530,566	350,476
Contributions subsequent to the measurement date	185,494	-
Total	<u>\$ 1,034,269</u>	<u>\$ 402,319</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2025.

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

<u>Year ended</u>	<u>Amount</u>
2025	\$ 158,963
2026	105,255
2027	80,370
2028	128,610
2029	(26,742)
	<u>\$ 446,456</u>

**NOTE J - DEFINED CONTRIBUTION PLAN**

On November 1, 2023 the City became a member of the Municipal Employees; Retirement System (MERS) 457 Supplemental Retirement program and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Plan Description - Permanent, part-time employees over 25 hours per week, who work in either transit, campground, or ice arena (not MERS defined benefit eligible) are eligible for participation. The policy requires a matching contribution equal to 100% of deferral amount up to 5% of the participant's compensation. City contributions for each participant and interest allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The investment of Plan assets is the responsibility of the participants.

For the year ended June 30, 2024, pension expense was \$- and no forfeitures were applied to contributions. There were no outstanding payables to the plan for the year ending June 30, 2024.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

**NOTE K - ENTERPRISE FUNDS - SEGMENT INFORMATION**

The City maintains three Enterprise Funds which provide water, sewer, and transit services. Segment information for the year ended June 30, 2024 is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Transit</u>
Operating revenues	\$ 1,035,953	\$ 1,176,202	\$ 366,242
Depreciation	\$ 170,936	\$ 536,276	\$ 62,008
Income (loss) from operations	\$ 91,528	\$ (211,303)	\$ (76,659)
Non-operating revenues (expenses)	\$ (19,202)	\$ (180,014)	\$ 229
Capital contributions and transfers	\$ 1,245,847	\$ 1,012,556	\$ 65,000
Net income (loss)	\$ 718,173	\$ 621,239	\$ (11,430)
Property, plant & equipment additions	\$ 1,898,359	\$ 984,416	\$ -
Assets			
Current assets	\$ 1,346,757	\$ 846,842	\$ 62,164
Capital assets - net	\$ 5,432,677	\$ 12,160,938	\$ 522,193
Total assets	\$ 6,779,434	\$ 13,007,780	\$ 584,357
Deferred outflow of resources	\$ 42,749	\$ 44,577	\$ 49,678
Liabilities and net position			
Current liabilities	\$ 323,288	\$ 368,950	\$ 10,779
Due to other funds	\$ -	\$ -	\$ 5,235
Long term liabilities	\$ 1,694,090	\$ 7,638,808	\$ 113,831
Total liabilities	\$ 2,031,585	\$ 8,025,114	\$ 145,001
Deferred inflows of resources	\$ 15,201	\$ 16,121	\$ 13,949
Net investment in capital assets	\$ 3,799,677	\$ 4,368,938	\$ 522,193
Restricted net position	\$ 147,983	\$ 400,724	\$ -
Unrestricted net position	\$ 827,737	\$ 241,460	\$ (47,108)
Total net position	\$ 4,775,397	\$ 5,011,122	\$ 475,085
Net cash provided (used) by:			
Operating activities	\$ 317,552	\$ 287,277	\$ (44,550)
Noncapital financing activities	\$ (270,000)	\$ 281,000	\$ 43,965
Capital & related financing activities	\$ (769,046)	\$ (555,868)	\$ -
Investing activities	\$ 17,912	\$ 4,158	\$ 229
Beginning cash	\$ 1,677,405	\$ 648,211	\$ 964
Ending cash	\$ 973,823	\$ 664,778	\$ 608

**NOTE L - RESERVES AND RESTRICTED ASSETS**

*Water Fund*

2011A and 2011B Water Supply System Revenue Bonds

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

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

Junior Lien Bond and Interest Redemption Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due. No further deposits shall be made towards the Junior Lien Bond and Interest Redemption once the Bond Reserve account has reached \$196,900.

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

2016A and 2016B Water Supply System Revenue Bonds

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

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

Junior Lien Bond and Interest Redemption Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due. No further deposits shall be made towards the Junior Lien Bond and Interest Redemption once the Bond Reserve account has reached \$78,000.

Repair and Replacement Account - Quarterly transfers are to be made in the sum of not less than \$2,625 to the existing repair and replacement account required for the 2011A and 2011B Water Supply System Revenue Bonds, with the annual requirement equal to \$10,050.50. Until the balance of the Bond Reserve Account reaches \$78,000, the quarterly transfer will be 675\$. The total quarterly requirement for 2011A, 2011B, 20116A and 2016B bonds shall be \$10,050 (\$40,202 annually).

*Sewer Fund*

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

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

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

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

At June 30, 2024, the City had established these accounts and had restricted cash, as required, as follows:

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

	<u>Required</u>	<u>Amount Funded</u>
<u>Water Fund</u>		
<u>Bond Reserve Account</u>		
2011A and 2011B Water Supply System Revenue Bonds	\$ 196,900	\$ 196,900
2016A and 2016B Water Supply System Revenue Bonds	62,400	62,400
2011A & B and 2016A & B Water Supply System Revenue Bonds repair and replacement account	<u>141,424</u>	<u>141,424</u>
	<u>\$ 400,724</u>	<u>\$ 400,724</u>
<u>Sewer Fund</u>		
<u>2010 Sewage Disposal System Revenue Bonds</u>		
Bond Reserve Account	\$ 85,440	\$ 85,440
Repair and Replacement Account	41,576	41,576
Bond and Interest Redemption Account	<u>20,967</u>	<u>20,967</u>
	<u>\$ 147,983</u>	<u>\$ 147,983</u>

**NOTE M - TRANSIT FUND**

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

The following are required Michigan Department of Transportation disclosures:

- Management provides assurance that the City of Hancock Transit has one approved cost allocation plan, which was adhered to in the preparation of the City of Hancock's financial statements.
- The methodology used for compiling miles and other nonfinancial information used to allocate costs has been reviewed and the recording method has been found to be adequate and reliable.
- The depreciation expense reported in 51300 equals the ineligible depreciation reported in 55007. Therefore, the depreciation assurance regarding approval of useful life is not required.
- No operating expenses are subtracted out as ineligible because no capital money was used to pay for operating expenses.
- The Hancock Transit has not received auxiliary or non-transportation revenue.
- Pension costs incurred for the defined benefit retirement plan administered by MERS were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in STEP 6 of the guide is \$499,799. Of this amount \$6,725 was expensed on the books of the Transit Fund and \$0 was reported on line 50200 Fringes.
- The Transit Fund did not incur, nor pay, any 50201 pension costs or 50202 other post-employment benefits.

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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**NOTE N - TAX INCREMENT FINANCING**

The City approved the Downtown Development District and Tax Increment Financing Plan (DDA TIF) dated September 1984. December 17, 2014 an amendment was approved by the City to extend the life of the 1993 Amendment Plan to terminate upon the collections of the last taxes levied for the year 2044. The DDA TIF is a plan to prevent further deterioration and to encourage historic preservation and economic growth in the Downtown District. The DDA TIF Plan is allowed by Michigan Public Act 197 of 1975 (Act 197). The primary purpose of Act 197 is to encourage the marketing and promotion of the Downtown District, historic preservation, catalytic projects and infrastructure improvement projects (streetscapes, lighting, parks, etc.). Tax increment financing is eligible for certain eligible activities. The amount of taxes foregone by the City during the fiscal year was \$276,262.

**NOTE O - 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, 2024, The Portage Lake Water and Sewage Authority owed the City \$34,908, and this amount is reflected on the Proprietary Funds Balance Sheet as an amount due from other governmental units.

**NOTE P - RISK MANAGEMENT**

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

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2024 will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**NOTE Q - UNRESTRICTED NET POSITION/FUND BALANCE DEFICIT**

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

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

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

**CITY OF HANCOCK**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2024**

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

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

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

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

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

Based on performing the deficit test it was determined that the Transit Fund is not required to file a deficit elimination plan with the Michigan Department of Treasury.

**NOTE R - SUBSEQUENT EVENTS**

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

- On March 20, 2024 the City approved a Michigan Department of Transportation contract 24-5004 Category "B" funded project in the amount of \$521,643 for work along North Street and Prospect Street. The contract includes Participating Costs (Part A) and Non-Participating Costs (Part B). The total PART A estimated costs of \$284,773 are grant funded at 50% with a City match of 50% and PART B estimated costs of \$236,870 are paid 100% by the City. The estimated grant revenue is \$142,386. On May 15, 2024 the City awarded a contractor \$577,626 to complete the work related to the project and is expected to be completed in the following fiscal year.
- On March 20, 2024 the City approved a Michigan Department of Transportation contract 24-5005 Category "B" funded project in the amount of \$755,444 for work along Minnesota Street. The contract includes Participating Costs (Part A) and Non-Participating Costs (Part B). The total PART A estimated costs of \$474,824 are grant funded at 50% with a City match of 50% and PART B estimated costs of \$280,620 are paid 100% by the City. The estimated grant revenue is \$237,412. On June 19, 2024 the City awarded a contractor \$784,364 to complete the work related to the project and is expected to be completed in the following fiscal year.
- On July 29, 2024 the City purchased a 2024 Dodge Durango in the amount of \$43,028 for the police department.
- On August 21, 2024 the City approved an installment purchase agreement in the amount of \$248,000 to acquire a 2024 freightliner M2 rear loader.
- On August 23, 2024 the City signed a grant agreement in the amount of \$584,885 with the Michigan Department of Environment, Great Lakes, and Energy, Finance Division for the physical verification of service lines for use in developing their lead service line replacement program.
- On September 18, 2024 the City approved a quote in the amount of \$32,550 for the repair of the retaining wall on Wright Street.



**NOTE S - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2024 (the City's 2024-2025 fiscal year).

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed and avoid "boilerplate" discussions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

This Statement also updates presentation requirements related to unusual or infrequent items, the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information and budgetary comparison information. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025 (the City's 2025-2026 fiscal year).

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HANCOCK**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Property taxes	\$ 1,785,052	\$ 1,816,387	\$ 1,809,322	\$ (7,065)
Licenses & permits	46,000	50,891	50,991	100
State sources	881,655	960,244	966,089	5,845
Federal sources	758,705	904,763	986,085	81,322
Charges for services	660,700	722,373	720,993	(1,380)
Interest income	3,050	23,540	23,841	301
Other revenues	58,500	173,926	181,603	7,677
Total revenues	<u>4,193,662</u>	<u>4,652,124</u>	<u>4,738,924</u>	<u>86,800</u>
Expenditures				
Council	22,960	23,401	25,265	(1,864)
City manager	106,495	106,037	107,594	(1,557)
Clerk	55,389	124,738	116,368	8,370
Treasurer	38,292	37,092	39,116	(2,024)
Accounting	32,987	52,933	47,868	5,065
Assessor	49,407	58,548	59,367	(819)
Planning	324,006	510,400	536,078	(25,678)
Elections	48,567	16,894	17,274	(380)
Building and grounds	105,235	130,720	127,954	2,766
Cemetery	90,044	82,568	85,223	(2,655)
Public safety	1,846,779	1,678,374	1,622,841	55,533
Public works	298,892	330,862	358,867	(28,005)
Recreation and culture	1,042,084	1,430,437	1,437,503	(7,066)
Sanitation	250,264	277,277	263,164	14,113
Debt service	189,034	230,766	230,766	-
Other	78,015	67,652	67,628	24
Total expenditures	<u>4,578,450</u>	<u>5,158,699</u>	<u>5,142,876</u>	<u>15,823</u>
Excess (deficiency) of revenues over expenditures	(384,788)	(506,575)	(403,952)	102,623
Other financing sources (uses)				
Proceeds on sale of assets	-	25	25	-
Proceeds from the sale of long-term notes/loans	-	400,000	400,000	-
Operating transfers in (out)	(3,000)	(76,527)	(76,539)	(12)
Total other financing sources (uses)	<u>(3,000)</u>	<u>323,498</u>	<u>323,486</u>	<u>(12)</u>
Net change in fund balances	<u>\$ (387,788)</u>	<u>\$ (183,077)</u>	(80,466)	<u>\$ 102,611</u>
Fund balances - Beginning of year			<u>1,494,964</u>	
Fund balances - End of year			<u>\$ 1,414,498</u>	

**CITY OF HANCOCK**  
**MAJOR STREET FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
State sources	\$ 1,552,295	\$ 1,537,821	\$ 1,559,471	\$ 21,650
Federal sources	531,566	847,870	847,870	-
Interest income	700	5,000	5,521	521
Total revenues	<u>2,084,561</u>	<u>2,390,691</u>	<u>2,412,862</u>	<u>22,171</u>
Expenditures				
General administration	21,390	17,040	16,533	507
Highways and streets:				
Construction	1,704,456	2,095,845	2,086,333	9,512
State trunkline maintenance	390,317	305,344	289,992	15,352
Routine maintenance	58,251	64,251	53,294	10,957
Traffic services	20,099	2,707	722	1,985
Snow and ice control	235,055	111,145	103,052	8,093
Sweeping and flushing	8,464	16,628	13,499	3,129
Total expenditures	<u>2,438,032</u>	<u>2,612,960</u>	<u>2,563,425</u>	<u>49,535</u>
Excess (deficiency) of revenues over expenditures	<u>(353,471)</u>	<u>(222,269)</u>	(150,563)	<u>71,706</u>
Net change in fund balances	<u>\$ (353,471)</u>	<u>\$ (222,269)</u>	(150,563)	<u>\$ 71,706</u>
Fund balances - Beginning of year			<u>694,949</u>	
Fund balances - End of year			<u>\$ 544,386</u>	

**CITY OF HANCOCK**  
**SCHEDULE OF CHANGES IN THE CITY NET**  
**PENSION LIABILITY AND RATIOS**  
**Year Ended June 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability										
Service cost	\$ 139,633	\$ 111,720	\$ 98,573	\$ 87,681	\$ 87,443	\$ 80,168	\$ 67,495	\$ 60,533	\$ 64,222	\$ 51,865
Interest	401,796	414,773	382,187	353,025	352,689	333,217	316,010	288,232	259,977	240,815
Changes in benefits	-	-	-	(12,188)	-	-	-	-	-	-
Difference between expected and actual experience	45,456	(41,454)	38,799	49,442	(103,760)	65,732	36,297	146,857	(1,568)	-
Changes in assumptions	45,377	-	209,237	184,197	169,969	-	-	-	229,010	-
Benefit payments, including refunds	(356,074)	(326,704)	(286,513)	(281,269)	(258,734)	(219,984)	(202,111)	(101,645)	(94,628)	(38,562)
Other changes	3,918	(19,101)	-	-	-	-	-	-	-	1
Net change in total pension liability	280,106	139,234	442,283	380,888	247,607	259,133	217,691	393,977	457,013	254,119
Total pension liability - beginning of year	<u>5,704,269</u>	<u>5,565,035</u>	<u>5,122,752</u>	<u>4,741,864</u>	<u>4,494,257</u>	<u>4,235,124</u>	<u>4,017,433</u>	<u>3,623,456</u>	<u>3,166,443</u>	<u>2,912,324</u>
Total pension liability - end of year	<u><u>\$ 5,984,375</u></u>	<u><u>\$ 5,704,269</u></u>	<u><u>\$ 5,565,035</u></u>	<u><u>\$ 5,122,752</u></u>	<u><u>\$ 4,741,864</u></u>	<u><u>\$ 4,494,257</u></u>	<u><u>\$ 4,235,124</u></u>	<u><u>\$ 4,017,433</u></u>	<u><u>\$ 3,623,456</u></u>	<u><u>\$ 3,166,443</u></u>
Plan fiduciary net position										
Contributions - employer	347,497	273,181	232,888	189,750	180,521	125,627	103,116	113,009	82,780	73,738
Contributions - employee	51,296	41,642	39,216	27,108	24,547	22,280	22,597	25,626	22,463	21,525
Net investment income	362,487	(391,893)	426,723	397,109	344,908	(105,656)	327,073	255,606	(34,273)	132,353
Administrative expenses	(7,502)	(6,553)	(5,050)	(5,681)	(5,944)	(5,272)	(5,180)	(5,042)	(4,966)	(4,894)
Benefit payments, including refunds	(356,074)	(326,704)	(286,513)	(281,269)	(258,734)	(219,984)	(202,111)	(101,645)	(94,628)	(38,562)
Net change in plan fiduciary net position	397,704	(410,327)	407,264	327,017	285,298	(183,005)	245,495	287,554	(28,624)	184,160
Plan fiduciary net position - beginning of year	<u>3,168,821</u>	<u>3,579,148</u>	<u>3,171,884</u>	<u>2,844,867</u>	<u>2,559,569</u>	<u>2,742,574</u>	<u>2,497,079</u>	<u>2,209,525</u>	<u>2,238,149</u>	<u>2,053,989</u>
Plan fiduciary net position - end of year	<u><u>\$ 3,566,525</u></u>	<u><u>\$ 3,168,821</u></u>	<u><u>\$ 3,579,148</u></u>	<u><u>\$ 3,171,884</u></u>	<u><u>\$ 2,844,867</u></u>	<u><u>\$ 2,559,569</u></u>	<u><u>\$ 2,742,574</u></u>	<u><u>\$ 2,497,079</u></u>	<u><u>\$ 2,209,525</u></u>	<u><u>\$ 2,238,149</u></u>
City's net pension liability - ending	<u><u>\$ 2,417,850</u></u>	<u><u>\$ 2,535,448</u></u>	<u><u>\$ 1,985,887</u></u>	<u><u>\$ 1,950,868</u></u>	<u><u>\$ 1,896,997</u></u>	<u><u>\$ 1,934,688</u></u>	<u><u>\$ 1,492,550</u></u>	<u><u>\$ 1,520,354</u></u>	<u><u>\$ 1,413,931</u></u>	<u><u>\$ 928,294</u></u>
Plan fiduciary net position as a percent of total pension	59.60 %	55.55 %	64.31 %	61.92 %	59.99 %	56.95 %	64.76 %	62.16 %	60.98 %	70.68 %
Covered employee payroll	\$ 1,034,321	\$ 826,332	\$ 779,230	\$ 753,920	\$ 784,244	\$ 736,838	\$ 634,354	\$ 618,951	\$ 696,554	\$ 562,531
City's net pension liability as a percent of covered employee	233.76 %	306.83 %	254.85 %	258.76 %	241.89 %	262.57 %	235.29 %	245.63 %	202.99 %	165.02 %

**CITY OF HANCOCK**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Year Ended June 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 311,497	\$ 234,294	\$ 191,493	\$ 178,961	\$ 162,521	\$ 125,627	\$ 103,116	\$ 113,009	\$ 82,780	\$ 73,738
Contributions in relation to the actuarially determined contributions	<u>347,497</u>	<u>273,181</u>	<u>232,888</u>	<u>189,750</u>	<u>180,521</u>	<u>125,627</u>	<u>103,116</u>	<u>113,009</u>	<u>82,780</u>	<u>73,738</u>
Contribution deficiency (excess)	<u>\$ (36,000)</u>	<u>\$ (38,887)</u>	<u>\$ (41,395)</u>	<u>\$ (10,789)</u>	<u>\$ (18,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,034,321	\$ 826,332	\$ 779,230	\$ 753,920	\$ 784,244	\$ 736,838	\$ 634,354	\$ 618,951	\$ 696,554	\$ 562,531
Contributions as a percentage of covered-employee payroll	33.60 %	33.06 %	29.89 %	25.17 %	23.02 %	17.05 %	16.26 %	18.26 %	11.88 %	13.11 %

**CITY OF HANCOCK**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2024**

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 years smoothed
Inflation	2.5%
Salary increases	3.0%
Investment rate of return	6.93%
Retirement age	60 years
Mortality	Pub-2010 - fully generational MP-2019

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**



**CITY OF HANCOCK**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2024**

	Local Street	Redevelopment	Park & Recreation Fund	Building Authority	Development	Cemetery Perpetual	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 747,275	\$ 8,570	\$ 32,762	\$ 1,656	\$ 144,469	\$ -	\$ 934,732
Restricted cash	-	-	-	-	-	188,071	188,071
Due from government units	292,731	39,751	-	-	-	-	332,482
Inventories	3,013	-	-	-	-	-	3,013
<b>Total assets</b>	<b><u>\$ 1,043,019</u></b>	<b><u>\$ 48,321</u></b>	<b><u>\$ 32,762</u></b>	<b><u>\$ 1,656</u></b>	<b><u>\$ 144,469</u></b>	<b><u>\$ 188,071</u></b>	<b><u>\$ 1,458,298</u></b>
<b>Liabilities</b>							
Accounts payable	\$ 17,389	\$ -	\$ 15,021	\$ -	\$ 7,397	\$ -	\$ 39,807
Accrued expenses	7,006	-	-	-	-	-	7,006
Due to other funds	-	42,497	-	-	-	-	42,497
<b>Total liabilities</b>	<b><u>384,289</u></b>	<b><u>42,497</u></b>	<b><u>15,021</u></b>	<b><u>-</u></b>	<b><u>7,397</u></b>	<b><u>-</u></b>	<b><u>449,204</u></b>
<b>Fund balances</b>							
Restricted	<u>658,730</u>	<u>5,824</u>	<u>17,741</u>	<u>1,656</u>	<u>137,072</u>	<u>188,071</u>	<u>1,009,094</u>
<b>Total fund balances</b>	<b><u>658,730</u></b>	<b><u>5,824</u></b>	<b><u>17,741</u></b>	<b><u>1,656</u></b>	<b><u>137,072</u></b>	<b><u>188,071</u></b>	<b><u>1,009,094</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,043,019</u></b>	<b><u>\$ 48,321</u></b>	<b><u>\$ 32,762</u></b>	<b><u>\$ 1,656</u></b>	<b><u>\$ 144,469</u></b>	<b><u>\$ 188,071</u></b>	<b><u>\$ 1,458,298</u></b>

**CITY OF HANCOCK**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2024**

	Local Street	Redevelopment	Park & Recreation Fund	Building Authority	Development	Cemetery Perpetual	Total
Revenues							
Property taxes	\$ 168,441	\$ -	\$ 107,003	\$ -	\$ -	\$ -	\$ 275,444
State sources	290,952	39,751	-	-	-	-	330,703
Interest income	6,947	-	1,183	-	-	2,617	10,747
Reimbursements	-	-	60	-	-	-	60
Rentals	-	12,800	-	133,395	-	-	146,195
Miscellaneous income	-	200	-	-	48,029	-	48,229
Total revenues	<u>466,340</u>	<u>52,751</u>	<u>108,246</u>	<u>133,395</u>	<u>48,029</u>	<u>2,617</u>	<u>811,378</u>
Expenditures							
General administration	26,904	26,338	-	-	-	-	53,242
Recreation and culture	-	-	120,657	-	-	-	120,657
Public works	458,683	100,908	-	-	17,821	-	577,412
Debt service	-	-	-	133,395	-	-	133,395
Total expenditures	<u>485,587</u>	<u>127,246</u>	<u>120,657</u>	<u>133,395</u>	<u>17,821</u>	<u>-</u>	<u>884,706</u>
Excess (deficiency) of revenues over expenditures	(19,247)	(74,495)	(12,411)	-	30,208	2,617	(73,328)
Other financing sources (uses)							
Operating transfers in (out)	-	-	11,539	-	-	-	11,539
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,539</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(19,247)	(74,495)	(872)	-	30,208	2,617	(61,789)
Fund balances - Beginning of year	<u>677,977</u>	<u>80,319</u>	<u>18,613</u>	<u>1,656</u>	<u>106,864</u>	<u>185,454</u>	<u>1,070,883</u>
Fund balances - End of year	<u>\$ 658,730</u>	<u>\$ 5,824</u>	<u>\$ 17,741</u>	<u>\$ 1,656</u>	<u>\$ 137,072</u>	<u>\$ 188,071</u>	<u>\$ 1,009,094</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING NET POSITION**  
**June 30, 2024**

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 245,334	\$ 2,081	\$ 247,415
Accounts receivable	-	250	250
Due from other funds	5,235	-	5,235
Inventories	-	36,478	36,478
Prepaid expenses	-	29,658	29,658
Capital assets - net	-	1,135,987	1,135,987
<b>Total assets</b>	<u>250,569</u>	<u>1,204,454</u>	<u>1,455,023</u>
Deferred outflows of resources - pension	-	16,717	16,717
<b>Liabilities</b>			
Accounts payable	11,551	6,823	18,374
Accrued expenses	11,758	1,983	13,741
Accrued interest payable	-	5,870	5,870
Lease payable, current	-	25,968	25,968
Net pension liability	-	39,492	39,492
Current maturities	-	127,538	127,538
Lease payable	-	94,930	94,930
Notes payable	-	298,203	298,203
<b>Total liabilities</b>	<u>23,309</u>	<u>600,807</u>	<u>624,116</u>
Deferred inflows of resources - pension	-	8,000	8,000
<b>Net position</b>			
Net investment in capital assets	-	589,348	589,348
Unrestricted	227,260	23,016	250,276
<b>Total net position</b>	<u>\$ 227,260</u>	<u>\$ 612,364</u>	<u>\$ 839,624</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2024**

	<u>Employee</u> <u>Benefits</u>	<u>Motor Vehicle</u> <u>Fund</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 1,131,957	\$ 772,129	\$ 1,904,086
Other revenues	<u>-</u>	<u>3,572</u>	<u>3,572</u>
Total operating revenues	<u>1,131,957</u>	<u>775,701</u>	<u>1,907,658</u>
Operating expenses			
General administration	-	6,058	6,058
Garage maintenance	-	128,742	128,742
Operations and maintenance	-	298,310	298,310
Depreciation	-	195,624	195,624
Benefit payments:			
Payroll taxes	21,461	-	21,461
Retirement plan expense	166,632	-	166,632
Holiday pay	61,159	-	61,159
Sickpay/personal leave	25,297	-	25,297
Vacation pay	54,439	-	54,439
Workers' compensation insurance	121,603	-	121,603
Hospitalization insurance	484,978	-	484,978
Employee life insurance	288	-	288
Longevity pay	107,083	-	107,083
Other	<u>25,993</u>	<u>-</u>	<u>25,993</u>
Total operating expenses	<u>1,068,933</u>	<u>628,734</u>	<u>1,697,667</u>
Operating income (loss)	<u>63,024</u>	<u>146,967</u>	<u>209,991</u>
Non-operating revenues (expenses)			
Gain on sale of assets	-	-	-
Interest income	601	116	717
Interest expense	-	(20,655)	(20,655)
Federal sources	-	120,300	120,300
Capital asset transfer	-	(15,800)	(15,800)
Operating transfers in (out)	<u>-</u>	<u>49,808</u>	<u>49,808</u>
Total non-operating revenues (expenses)	<u>601</u>	<u>133,769</u>	<u>134,370</u>
Net income (loss)	63,625	280,736	344,361
Net Position- Beginning of year	<u>163,635</u>	<u>331,628</u>	<u>495,263</u>
Net Position - End of year	<u>\$ 227,260</u>	<u>\$ 612,364</u>	<u>\$ 839,624</u>

**CITY OF HANCOCK**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOW**  
**Year Ended June 30, 2024**

	<u>Employee Benefits</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 1,131,957	\$ 775,950	\$ 1,907,907
Payments to suppliers	(939,385)	(411,840)	(1,351,225)
Payments to employees	(123,562)	(74,385)	(197,947)
Net cash provided by operating activities	<u>69,010</u>	<u>289,725</u>	<u>358,735</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	<u>40,035</u>	<u>(90,192)</u>	<u>(50,157)</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	-	(200,566)	(200,566)
Principal paid on capital debt	-	(175,352)	(175,352)
Non-operating grants	-	120,300	120,300
Interest paid on capital debt	-	(20,655)	(20,655)
Loan proceeds	-	77,280	77,280
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(198,993)</u>	<u>(198,993)</u>
Cash flows from investing activities			
Interest and dividends	<u>601</u>	<u>116</u>	<u>717</u>
Net (decrease) in cash	109,646	656	110,302
Balances - beginning of the year	135,688	1,425	137,113
Balances - end of the year	<u>\$ 245,334</u>	<u>\$ 2,081</u>	<u>\$ 247,415</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 63,024	\$ 146,967	\$ 209,991
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	195,624	195,624
Change in assets and liabilities:			
Receivables, net	-	249	249
Deferred outflows and inflows	-	3,587	3,587
Inventory	-	1,322	1,322
Prepaid expenses	-	(3,721)	(3,721)
Net pension liability	-	(1,825)	(1,825)
Accounts and other payables	1,718	(49,978)	(48,260)
Accrued expenses	4,268	(2,500)	1,768
Net cash provided by operating activities	<u>\$ 69,010</u>	<u>\$ 289,725</u>	<u>\$ 358,735</u>

**CITY OF HANCOCK  
TRANSIT FUND SUPPLEMENTAL INFORMATION  
June 30, 2024**

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING REVENUE**  
**Year Ended June 30, 2024**

	07/01/23 through 09/30/23	10/01/23 through 06/30/24	Total
Farebox receipts - passenger fares*	\$ 14,722	\$ 47,452	\$ 62,174
State Operating Assistance**	29,839	114,090	143,929
Federal Section 5311***	-	50,959	50,959
Federal RTAP***	1,306	-	1,306
Local Operating Assistance	-	65,000	65,000
ARP act***	31,060	-	31,060
Interest Income	90	139	229
<b>Total Operating Revenue</b>	<b>\$ 77,017</b>	<b>\$ 277,640</b>	<b>\$ 354,657</b>

	10/01/22 through 06/30/23	07/01/23 through 09/30/23	Total
Farebox receipts - passenger fares	\$ 57,848	\$ 14,722	\$ 72,570
State Operating Assistance	105,819	29,839	135,658
Federal Section 5311	-	-	-
Federal RTAP	-	1,306	1,306
Local Operating Assistance	63,000	-	63,000
Cares act	-	-	-
Gains from sale of capital assets	-	-	-
Refunds and credits	-	-	-
ARP act	110,149	31,060	141,209
Interest Income	13	90	103
<b>Total Operating Revenue</b>	<b>\$ 336,829</b>	<b>\$ 77,017</b>	<b>\$ 413,846</b>

\* Farebox Receipts are \$1,042 lower than what's reported on page 24 due to receivables included on page 24 and not on the quarterly reports.

\*\* State Operating Assistance above, is \$89,066 lower than what's reported on page 24 because there is \$71,505 in prior year LBO adjustments for FY 2022 and 2023 included on page 24 and not above. The remaining difference of \$9,461 is because the amount included on page 24 is what was actually received based on the budgeted expenses that was submitted. However, the amount that's reported on the quarterly reports above, is based on the State provided percentage of actual expenses, which were lower than budgeted expenses.

\*\*\* Federal revenue above is \$5,194 higher than what's reported on page 24 because the amount included on page 24 is what was actually received based on the budgeted expenses that was submitted. However, the amount that's reported on the quarterly reports above, is based on the State provided percentage of actual expenses, which were higher than budgeted expenses.

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**Year Ended June 30, 2024**

	7/1/2023 to <u>9/30/2023</u>	10/1/2023 to <u>6/30/2024</u>	<u>Total</u>
Labor:			
Wages - operations	\$ 28,182	\$ 96,323	\$ 124,505
Other salaries and wages	11,845	40,831	52,676
Dispatchers wages	928	6,656	7,584
Fringe benefits	22,630	66,653	89,283
Pension DC	-	59	59
Pension DB	3,009	13,903	16,912
Services:			
Advertising	425	787	1,212
Audit costs	-	5,300	5,300
Other	853	12,130	12,983
Materials and supplies:			
Fuel and lubricants	11,244	26,445	37,689
Tires and tubes	1,041	1,737	2,778
Major Supplies	-	-	-
Other	1,576	3,515	5,091
Utilities	1,358	7,739	9,097
Insurance	2,821	424	3,245
Operating lease and rentals	-	-	-
Miscellaneous expense:			
Travel, meetings, and training	1,322	-	1,322
Dues & Subscriptions	350	700	1,050
RTAP	-	-	-
Other	-	-	-
Depreciation	-	-	-
	<u>87,584</u>	<u>283,202</u>	<u>370,786</u>
Less:			
Ineligible expenses - dues	-	95	95
Ineligible expenses - refunds	-	-	-
Ineligible expenses - pension	-	-	-
Ineligible expenses - RTAP	-	-	-
Depreciation	-	-	-
	<u>\$ 87,584</u>	<u>\$ 283,107</u>	<u>\$ 370,691</u>

Total expenses in the amount of \$370,786 are less than total operating expenses on page 24 by \$72,115. Of this amount, adjustments were made to the general ledger after the filing of the quarterly OAR reports. The adjustments include depreciation expense of \$62,008, accrued expenses of \$3,129, GASB 68 related adjustments of \$6,725, \$47 for ineligible insurance not included on the OAR reports, \$201 in accounts payable that were recorded after the OAR reports were submitted. The remaining difference of \$5 is due to rounding.



**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**OPERATING EXPENSES**  
**Reporting period October 1, 2022 through September 30, 2023**

	10/1/2022 to <u>6/30/2023</u>	07/01/2023 to <u>09/30/2023</u>	<u>Total</u>
Labor:			
Wages - operations	\$ 98,527	\$ 28,182	\$ 126,709
Other salaries and wages	43,220	11,845	55,065
Dispatchers wages	13,585	928	14,513
Fringe benefits	75,184	22,630	97,814
Pension DC	10,749	-	10,749
Pension DB	-	3,009	3,009
Services:			
Advertising	796	425	1,221
Audit costs	3,795	-	3,795
Other	5,540	853	6,393
Materials and supplies:			
Fuel and lubricants	36,303	11,244	47,547
Tires and tubes	2,242	1,041	3,283
Major Supplies	-	-	-
Other	4,975	1,576	6,551
Utilities	7,579	1,358	8,937
Insurance	2,564	2,821	5,385
Operating lease and rentals	-	-	-
Miscellaneous expense:			
Travel, meetings, and training	312	1,322	1,634
Dues & Subscriptions	700	350	1,050
RTAP	-	-	-
Other	-	-	-
Depreciation	-	-	-
	<u>306,071</u>	<u>87,584</u>	<u>393,655</u>
Less:			
Ineligible expenses - dues	103	-	103
Ineligible expenses - refunds	-	-	-
Ineligible expenses - pension	-	-	-
Ineligible expenses - RTAP	-	-	-
Depreciation	-	-	-
	<u>\$ 305,968</u>	<u>\$ 87,584</u>	<u>\$ 393,552</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**COMPUTATION OF STATE AND FEDERAL OPERATING ASSISTANCE**  
**Year Ended June 30, 2024**

<u>NON URBAN AREAS</u>	<u>07/01/23 through 09/30/23</u>	<u>10/01/23 through 06/30/24</u>	<u>Total</u>
<b>STATE OF MICHIGAN</b>			
Total Eligible Expenses	\$ 87,584	\$ 283,107	<u>\$ 370,691</u>
Reimbursement Rate %	<u>40.2993 %</u>	<u>40.2993 %</u>	
Eligible operating assistance*	<u>\$ 35,296</u>	<u>\$ 114,090</u>	<u>\$ 149,386</u>
 <b>FEDERAL SECTION 5311</b>			
Total Eligible Expenses	\$ 87,584	\$ 283,107	<u>\$ 370,691</u>
Reimbursement Rate %	<u>18.0000 %</u>	<u>18.0000 %</u>	
Eligible operating assistance	<u>\$ 15,765</u>	<u>\$ 50,959</u>	<u>\$ 66,724</u>

**CITY OF HANCOCK**  
**TRANSIT FUND**  
**MDOT-PASSENGER TRANSPORTATION DIVISION**  
**MILEAGE DATA REPORT (UNAUDITED)**  
**Year Ended June 30, 2024**

<u>Quarter Ending</u>	<u>Miles</u>
September 30, 2023	20,310
December 31, 2023	19,660
March 31, 2024	17,174
June 30, 2024	<u>17,085</u>
Total Miles	<u><u>74,229</u></u>

**CITY OF HANCOCK  
FEDERAL AWARDS PROGRAMS  
JUNE 30, 2024**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hancock, Michigan, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Hancock, Michigan's basic financial statements and have issued our report thereon dated December 12, 2024.

### Report on Internal Control over Financial Reporting

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Hancock, Michigan’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-001.

## **City of Hancock, Michigan’s Response to Findings**

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

## **Purpose of This Report**

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

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

December 12, 2024

# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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

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

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited City of Hancock, Michigan’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Hancock, Michigan’s major federal programs for the year ended June 30, 2024. City of Hancock, Michigan’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hancock, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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



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

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

December 12, 2024

**CITY OF HANCOCK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2024**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
US DEPARTMENT OF TRANSPORTATION COVID 19 -Federal Section 5311 operating	20.509		76,825
US DEPARTMENT OF HOMELAND SECURITY Passed through Michigan State Police Disaster Grants - Public Assistance	97.036		546,072
US DEPARTMENT OF COMMERCE Passed through EGLE water resources division Coastal Zone Management Administration Awards	11.419	NA20NOS4190200	7,032
Passed through National Oceanic Atmospheric Administration (NOAA) Economic Development Cluster Economic Adjustment Assistance	11.307	06-79-06264	2,517,424
Total US Department of Commerce			<u>2,524,456</u>
US DEPARTMENT OF TREASURY Passed Through the Office of the State of Michigan of Treasury Coronavirus State and Local Fiscal Recovery Fund	21.027		135,213
Passed through EGLE finance division COVID Coronavirus State and Local Fiscal Recovery Funds	21.027		875
Passed Through the State of Michigan Department of Treasury American Rescue Plan Act	21.027		237,711
Total US Department of Treasury			<u>373,799</u>
US Department of Justice Bulletproof Vest Partnership	16.607		3,017
US Department of Agriculture Community Facilities Loans and Grants Cluster Communities Facilities Grant	10.766		20,300
Total Federal Awards			<u>\$ 3,544,469</u>

**CITY OF HANCOCK**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2024**

**NOTE A - OVERSIGHT AGENCY**

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

**NOTE B - BASIS OF ACCOUNTING**

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

**NOTE C - INDIRECT COSTS**

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

**NOTE D - PASS-THROUGH GRANT MONIES**

During the fiscal year ending June 30, 2024, the City did not pass through any awards to subrecipients.

**NOTE E -- FEDERAL AWARDS FINANCIAL STATEMENT RECONCILIATION**

Governmental Funds (Page 20)	\$ 1,833,955
Less revenue received in current year for prior year expenses due to grant audit	(620)
Less 2021 small urban grant revenue received in current year for prior year expenses due to grant audit	(1,686)
	-
Enterprise Funds (Page 23)	1,692,520
Internal Service Funds (page 23)	120,300
USDA grant received in current year reimbursing City for a June 2022 expenditure	(50,000)
USDA grant received in current year reimbursing City for a March 2023 expenditure	(50,000)
Total expenditures of federal awards	<u><u>\$ 3,544,469</u></u>

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2024**

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

***Financial Statements***

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in with Title 2 CFR Section 200.516(a)?	No
Name of Federal Program:	
U.S. Department of Commerce - Passed through NOAA Economic Development Cluster Economic Adjustment Assistance - Federal Assistance Listing Number	11.307
Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**INSTANCES OF NON-COMPLIANCE WITH STATE STATUTES**

**2024-001 - BUDGET - (repeat)**

Condition/Criteria: Public Act 621 of 1978, as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City of Hancock has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2024, the City of Hancock incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

**CITY OF HANCOCK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the year ended June 30, 2024**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

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

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

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

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

**CITY OF HANCOCK**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2023**

**INSTANCES OF NON-COMPLIANCE WITH STATE STATUTES**

**2023-001 - BUDGET**

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

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

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

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

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

Status of Prior Year Finding: This will be a repeat finding in fiscal year-end June 30, 2024.

**2023-002 FUND DEFICITS**

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

Condition: During the year ended June 30, 2023, the City incurred a deficit fund balance in the Transit and Motor Vehicle Funds.

Cause: Failure to have revenue in excess of expenditures.

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

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

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

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

Status of Prior Year Finding: This finding has been resolved.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Current Year – No matters were reported.

Prior Year – No matters were reported.

## **COMMUNICATIONS SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hancock for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 14, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Hancock are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2024. We noted no transactions entered into by the City of Hancock during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Management's estimate of the lives of capital assets:

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

Management's estimate of the net pension liability:

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



Management's estimate of lease liabilities:

- We evaluated the key factors and assumptions used to develop the lease liabilities, which are based the risk-free rate and consideration of the noncancelable period of the lease and reasonably certain lease options.

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

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 12, 2024.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

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

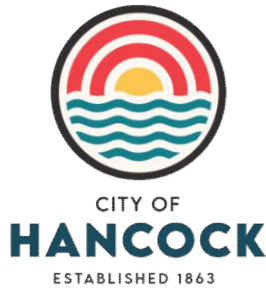
We were engaged to report on the supplemental financial information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine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

Restriction on Use

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

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

December 12, 2024



Corrective Action Plan  
For the Fiscal Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

**FINDING: 2024-001**

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

**Description of Finding:** Public Act 621 of 1978, as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City of Hancock has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2024, the City of Hancock incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

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

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

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

**Proposed Completion Date:** Immediately.

Mary Babcock, City Manager