

CITY OF DILLINGHAM, ALASKA

Basic Financial Statements, Supplementary
Information, and Single Audit Reports

Year Ended June 30, 2008

CITY OF DILLINGHAM, ALASKA

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-2
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	4
Statement of Activities	A-2	5
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	6
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Assets	B-2	7
Statement of Revenues, Expenditures and Changes in		
Fund Balances	B-3	8
Reconciliation of Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	9
Statements of Revenues, Expenditures and Changes in		
Fund Balance – Budget and Actual:		
General Fund	C-1	10
Senior Citizen Center Special Revenue Fund	C-2	11
Notes to Basic Financial Statements		12-28
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	D-1	30
Combining Statement of Revenues, Expenditures and		
Changes in Fund Balances	D-2	31
General Fund:		
Balance Sheet	E-1	33
Schedule of Revenues, Expenditures and Changes in		
Fund Balance - Budget and Actual	E-2	34-46

CITY OF DILLINGHAM, ALASKA

Table of Contents, continued

FINANCIAL SECTION, continued	<u>Exhibit</u>	<u>Page</u>
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Special Revenue Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual:		
Water and Sewer	F-1	48-49
Landfill	F-2	50
Dock	F-3	51
Boat Harbor	F-4	52
Enhanced 911 Service	F-5	53
Asset Forfeiture	F-6	54
Senior Citizen Center	F-7	55-56
Homeland Security	F-8	57
Capital Project Funds:		
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit):		
Dock and Harbor	G-1	59
Water and Sewer	G-2	60
School Bonds	G-3	61
School Repairs	G-4	62
Senior Center	G-5	63
Equipment Replacement	G-6	64
Ambulance Reserve	G-7	65
Landfill	G-8	66
Mary Carlson Estate Permanent Fund:		
Balance Sheet	H-1	68
Statement of Revenues, Expenditures and Changes in Fund Balance	H-2	69
Schedule of Expenditures of Federal Awards	I-1	70-71
Schedule of State Financial Assistance	J-1	72

CITY OF DILLINGHAM, ALASKA

Table of Contents, continued

SINGLE AUDIT SECTION	<u>Page</u>
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 <i>Government Auditing Standards</i>	74-75
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	76-77
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	78-79
Schedule of Findings and Questioned Costs	80-81
Summary Schedule of Prior Audit Findings	82
Corrective Action Plan	83

Independent Auditor's Report

Honorable Mayor and City Council
City of Dillingham, Alaska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska, as of and for the year ended June 30, 2008 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Dillingham City School District, a component unit of the reporting entity. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dillingham City School District, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska, as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund and Senior Citizen Center Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2009, on our consideration of City of Dillingham'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council
City of Dillingham, Alaska

The City of Dillingham has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Dillingham's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mikunda, Cottrell & Co.

Anchorage, Alaska
February 23, 2009

FINANCIAL SECTION

CITY OF DILLINGHAM, ALASKA

Statement of Net Assets

June 30, 2008

	<u>Primary Government</u>	<u>Component Unit</u>
<u>Assets</u>	<u>Governmental Activities</u>	<u>Dillingham City School District</u>
Cash and investments	\$ 4,909,066	3,081,089
Receivables, net	1,590,142	677,914
Inventory	-	43,219
Prepaid items	13,917	4,267
Restricted cash and investments	15,287,203	-
Bond issuance cost	288,211	-
Land and construction in progress	6,018,424	-
Other capital assets, net of accumulated depreciation	<u>18,553,414</u>	<u>301,053</u>
Total assets	<u>\$ 46,660,377</u>	<u>4,107,542</u>
<u>Liabilities</u>		
Accounts payable	382,482	113,558
Accrued payroll and related liabilities	135,484	781,259
Due to student groups	-	130,111
Unearned revenue	57,600	52,674
Noncurrent liabilities:		
Due within one year:		
Accrued leave	167,732	-
Capital leases payable	46,629	-
Bonds	470,000	-
Due in more than one year:		
Capital leases payable	39,368	-
Bonds	14,635,000	-
Unamortized bond premium	345,686	-
Net pension/OPEB obligation	231,163	648,399
Landfill closure costs	<u>31,200</u>	<u>-</u>
Total liabilities	<u>16,542,344</u>	<u>1,726,001</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	24,410,805	301,053
Restricted for museum and literary purposes	397,973	-
Unrestricted	<u>5,309,255</u>	<u>2,080,488</u>
Total net assets	<u>30,118,033</u>	<u>2,381,541</u>
Total liabilities and net assets	<u>\$ 46,660,377</u>	<u>4,107,542</u>

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA

Statement of Activities

Year Ended June 30, 2008

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government Total Governmental Activities	Component Unit Dillingham City School District
Primary government:						
Governmental:						
General government	\$ 1,385,273	404,593	-	-	(980,680)	
Public safety	1,941,442	561,739	60,198	-	(1,319,505)	
Public works	868,603	-	-	-	(868,603)	
Community services	136,043	3,378	18,585	-	(114,080)	
Water and sewer	513,163	394,063	-	115,837	(3,263)	
Landfill	508,928	123,383	-	198,390	(187,155)	
Dock	683,810	514,859	-	(7,872)	(176,823)	
Boat harbor	315,823	98,950	-	78,019	(138,854)	
Senior citizen center	595,115	67,903	168,911	16,174	(342,127)	
Education	1,444,820	-	-	367,816	(1,077,004)	
Total governmental activities	\$ 8,393,020	2,168,868	247,694	768,364	(5,208,094)	
Component unit - school district - education	\$ 11,939,857	78,983	2,464,495	-		(9,396,379)
General revenues:						
Taxes:						
Sales taxes				\$ 2,792,320	-	
Real and personal property taxes				1,703,025	-	
Payment in lieu of taxes				263,920	-	
Contributions from primary government				-	1,300,000	
Grants and entitlements not restricted to a specific purpose				558,604	7,744,493	
Investment income				288,996	73,633	
Other				2,491	262,287	
Total general revenues				5,609,356	9,380,413	
Change in net assets				401,262	(15,966)	
Net assets at beginning of year				29,716,771	2,397,507	
Net assets at end of year				\$ 30,118,033	2,381,541	

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA

Governmental Funds

Balance Sheet

June 30, 2008

<u>Assets</u>	<u>Major Funds</u>					<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Senior Citizen Center Special Revenue</u>	<u>School Bonds Capital Project</u>	<u>Dock and Harbor Capital Project</u>			
Cash and investments	\$ 2,238,362	548,505	-	-	2,122,199	4,909,066	
Receivables:							
Sales taxes	432,777	-	-	-	-	432,777	
Property taxes	470,174	-	-	-	-	470,174	
Accounts	293,290	406	-	-	295,231	588,927	
Grants	28,863	7,683	-	174,414	290,089	501,049	
Allowance for uncollectible accounts	(361,349)	(406)	-	-	(41,030)	(402,785)	
Due from other funds	865,005	-	-	-	-	865,005	
Prepaid items	13,917	-	-	-	-	13,917	
Restricted cash and investments	-	-	15,256,003	-	31,200	15,287,203	
Total assets	\$ 3,981,039	556,188	15,256,003	174,414	2,697,689	22,665,333	
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	73,453	4,341	64,096	-	240,592	382,482	
Accrued payroll and related liabilities	102,872	7,902	-	-	24,710	135,484	
Due to other funds	-	543,945	37,517	174,414	109,129	865,005	
Deferred revenue	329,203	-	-	-	-	329,203	
Total liabilities	505,528	556,188	101,613	174,414	374,431	1,712,174	
Fund balances:							
Reserved:							
Prepaid items	13,917	-	-	-	-	13,917	
Museum and literary purposes	-	-	-	-	397,973	397,973	
Capital projects	-	-	15,154,390	-	-	15,154,390	
Unreserved, reported in:							
General Fund	3,461,594	-	-	-	-	3,461,594	
Special revenue funds	-	-	-	-	1,265,561	1,265,561	
Capital project funds	-	-	-	-	659,724	659,724	
Total fund balances	3,475,511	-	15,154,390	-	2,323,258	20,953,159	
Total liabilities and fund balances \$	3,981,039	556,188	15,256,003	174,414	2,697,689	22,665,333	

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2008

Total fund balances for governmental funds \$ 20,953,159

Total net assets reported for governmental activities in the
 Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. These
 assets, net of accumulated depreciation, consist of:

Land	\$	4,862,446	
Construction in progress		1,155,978	
Buildings		8,468,163	
Improvements other than buildings		18,214,008	
Machinery and equipment		<u>5,891,104</u>	
Total capital assets		38,591,699	
Less accumulated depreciation		<u>(14,019,861)</u>	
Total capital assets, net of accumulated depreciation			24,571,838

Governmental funds report the effect of bond issuance costs when
 debt is first issued whereas these amounts are deferred and amortized
 in the Statement of Net Assets. 288,211

Other long-term assets are not available to pay for current period
 expenditures and therefore are deferred in the funds. This is the
 amount of delinquent property taxes receivable. 271,603

Long-term liabilities are not due and payable in the current period
 and therefore are not reported as fund liabilities. These liabilities
 consist of:

General obligation bonds		(15,105,000)	
Unamortized bond premium		(345,686)	
Accrued leave		(167,732)	
Net pension/OPEB obligation		(231,163)	
Capital leases payable		(85,997)	
Landfill closure costs		<u>(31,200)</u>	
Total long-term liabilities			<u>(15,966,778)</u>

Total net assets of governmental activities \$ 30,118,033

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2008

	Major Funds					Total Governmental Funds
	General	Senior Citizen Center Special Revenue	School Bonds Capital Project	Dock and Harbor Capital Project	Nonmajor Funds	
Revenues:						
Taxes	\$ 4,818,400	-	-	-	-	4,818,400
State of Alaska	1,022,505	27,406	-	-	591,151	1,641,062
Federal government	28,227	134,313	-	(5,362)	167,404	324,582
Charges for services	420,348	-	-	-	1,077,313	1,497,661
Games and raffles	-	42,818	-	-	-	42,818
Licenses and permits	19,386	-	-	-	-	19,386
Penalties and interest	-	-	-	-	3,339	3,339
Fines and forfeitures	5,738	-	-	-	-	5,738
Lease and rental income	2,755	4,222	-	-	38,392	45,369
Investment income	147,613	27,321	66,626	-	47,436	288,996
Other	23,263	32,420	325	75,509	34,549	166,066
Total revenues	<u>6,488,235</u>	<u>268,500</u>	<u>66,951</u>	<u>70,147</u>	<u>1,959,584</u>	<u>8,853,417</u>
Expenditures:						
Current:						
General government	1,320,466	-	-	-	-	1,320,466
Public safety	1,867,021	-	-	-	32,761	1,899,782
Public works	809,751	-	-	-	-	809,751
Community services	116,405	-	-	-	7,707	124,112
Water and sewer	-	-	-	-	351,515	351,515
Landfill	-	-	-	-	279,272	279,272
Dock	-	-	-	-	338,872	338,872
Boat harbor	-	-	-	-	272,170	272,170
Senior citizen center	-	578,936	-	-	-	578,936
Education - contribution to School District	1,300,000	-	-	-	-	1,300,000
Debt service:						
Principal	62,067	-	-	-	-	62,067
Interest	5,002	-	-	-	-	5,002
Other debt service costs	-	-	288,211	-	-	288,211
Capital outlay	-	-	75,036	74,019	707,694	856,749
Total expenditures	<u>5,480,712</u>	<u>578,936</u>	<u>363,247</u>	<u>74,019</u>	<u>1,989,991</u>	<u>8,486,905</u>
Excess of revenues over (under) expenditures	1,007,523	(310,436)	(296,296)	(3,872)	(30,407)	366,512
Other financing sources (uses):						
Transfers in	-	287,441	-	3,872	704,573	995,886
Transfers out	(845,730)	-	-	-	(150,156)	(995,886)
Bond issuance	-	-	15,105,000	-	-	15,105,000
Premium on bond issuance	-	-	345,686	-	-	345,686
Net other financing sources (uses)	<u>(845,730)</u>	<u>287,441</u>	<u>15,450,686</u>	<u>3,872</u>	<u>554,417</u>	<u>15,450,686</u>
Net change in fund balances	161,793	(22,995)	15,154,390	-	524,010	15,817,198
Fund balances at beginning of year	<u>3,313,718</u>	<u>22,995</u>	<u>-</u>	<u>-</u>	<u>1,799,248</u>	<u>5,135,961</u>
Fund balances at end of year	\$ <u>3,475,511</u>	<u>-</u>	<u>15,154,390</u>	<u>-</u>	<u>2,323,258</u>	<u>20,953,159</u>

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA

Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 15,817,198

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,112,461) and loss on disposal of capital assets (\$796) exceeded capital outlay (\$864,202) in the current period. (249,055)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in other long-term assets. (59,135)

The change in the estimated future landfill closure costs does not require the use of current financial resources and therefore is not reported against expenditures in governmental funds. 4,050

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the (increase) decrease in:

Capital lease principal payments	\$	62,067	
Issuance of general obligation bonds		(15,105,000)	
Bond premium		(345,686)	
Bond issuance costs		288,211	
Accrued leave		(4,217)	
Net pension/OPEB obligation		<u>(7,171)</u>	
			<u>(15,111,796)</u>

Change in net assets of governmental activities \$ 401,262

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA

General Fund

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Taxes	\$ 4,911,000	4,911,000	4,818,400	(92,600)
State of Alaska	900,400	900,400	1,022,505	122,105
Federal government	36,000	36,000	28,227	(7,773)
Charges for services	407,000	391,860	420,348	28,488
Licenses and permits	19,700	19,700	19,386	(314)
Fines and forfeitures	3,500	3,500	5,738	2,238
Lease and rental income	2,940	2,940	2,755	(185)
Investment income	95,000	95,000	147,613	52,613
Other	79,112	12,800	23,263	10,463
Total revenues	<u>6,454,652</u>	<u>6,373,200</u>	<u>6,488,235</u>	<u>115,035</u>
Expenditures:				
General government	1,427,136	1,441,756	1,347,276	94,480
Public safety	2,036,235	2,036,635	1,867,021	169,614
Public works	846,859	850,624	850,010	614
Community services	129,400	129,400	116,405	12,995
Education	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	-
Total expenditures	<u>5,739,630</u>	<u>5,758,415</u>	<u>5,480,712</u>	<u>277,703</u>
Excess of revenues over expenditures	715,022	614,785	1,007,523	392,738
Other financing uses - transfers out	<u>(496,272)</u>	<u>(652,472)</u>	<u>(845,730)</u>	<u>(193,258)</u>
Net change in fund balance	\$ <u>218,750</u>	<u>(37,687)</u>	161,793	<u>199,480</u>
Fund balances at July 1, 2007			<u>3,313,718</u>	
Fund balances at June 30, 2008		\$	<u>3,475,511</u>	

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA
 Senior Citizen Center Special Revenue Fund
 Statement of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2008

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Games and raffles - gross receipts - pulltabs	\$ 740,000	427,798	(312,202)
Prizes, awards and other payouts	<u>(592,000)</u>	<u>(384,980)</u>	<u>207,020</u>
Net games and raffles	148,000	42,818	(105,182)
Lease and rental income	23,000	4,222	(18,778)
Investment income	22,000	27,321	5,321
Federal government	134,767	134,313	(454)
State of Alaska	23,041	27,406	4,365
Other	<u>22,950</u>	<u>32,420</u>	<u>9,470</u>
Total revenues	<u>373,758</u>	<u>268,500</u>	<u>(105,258)</u>
Expenditures:			
Games and activities	8,178	8,137	41
Potato House	108,224	101,712	6,512
Nutrition, transportation, and support services	318,875	320,775	(1,900)
Senior center - operations	<u>141,053</u>	<u>148,312</u>	<u>(7,259)</u>
Total expenditures	<u>576,330</u>	<u>578,936</u>	<u>(2,606)</u>
Excess of revenues over (under) expenditures	(202,572)	(310,436)	(107,864)
Other financing sources - transfers in	<u>176,522</u>	<u>287,441</u>	<u>110,919</u>
Net change in fund balance	\$ <u>(26,050)</u>	(22,995)	<u>3,055</u>
Fund balance at beginning of year		<u>22,995</u>	
Fund balance at end of year	\$	<u><u>-</u></u>	

See accompanying notes to basic financial statements.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements

June 30, 2008

(1) **Summary of Significant Accounting Policies**

Reporting Entity

The City of Dillingham, Alaska (the City) was incorporated in 1972 as a first class city and operates under a Council – Manager form of government. The City provides a variety of services including water, sewer, dock and port facilities, landfill, police and fire protection, street maintenance, services for senior citizens and general administrative services.

As required by generally accepted accounting principles, these financial statements present City of Dillingham (the primary government) and its component unit, Dillingham City School District. The School District is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

The component unit column in the basic financial statements includes the financial data of the School District. It is discretely presented in a separate column to emphasize that it is legally separate from the City. Dillingham City School District is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters; however, the School District is fiscally dependent upon the City because the City Council approves the total annual budget of the School District, levies the necessary taxes, and approves the issuance of bonds for school projects.

Complete financial statements of the component unit can be obtained from the administrative office of the Dillingham City School District at P.O. Box 170, Dillingham, Alaska, 99576-0170.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 all revenues, except reimbursement grants, to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year 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 are recorded only to the extent they have matured.

Property taxes, sales tax, charges for services, and interest associated with the current fiscal period are all considered to be 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 received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Senior Citizen Center Special Revenue Fund* accounts for the activities of the Senior Center.

The *School Bonds Capital Project Fund* accounts for use of bond generated funds for the various repairs and replacements at the School District facilities.

The *Dock and Harbor Capital Project Fund* accounts for various improvements to the dock and harbor facilities.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	15-75 years
Infrastructure	3-50 years
Machinery and equipment	5-40 years

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize principal and interest payments made during the current period. The face amount of the debt issued plus any bond premium, are reported as other financing sources.

Central Treasury

A central treasury is used to account for cash from most funds of the City to maximize interest income. Investments are stated at fair value. Investment earnings are allocated among the funds based on their respective cash balances. The School District maintains separate cash accounts.

Property Taxes

Property taxes are levied as of July 1 on property values assessed as of January 1. The tax levy is payable in two installments due on October 30, and first business day of December. The taxes are considered past due after the respective tax billing due date at which time the applicable property is subject to lien and penalties and interest are assessed on the total tax liability.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out (FIFO) method. The cost of governmental fund type inventories are recorded as expenditures when consumed.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Inventories and Prepaid Items, continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered “earned”; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Compensated Absences

The City allows employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. However, it is the City’s policy to cancel any outstanding purchase orders at June 30, and issue new ones in the new fiscal year.

Deferred Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as deferred revenue.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. In addition, certain amounts from the prior year have been reclassified to conform with the current year's presentation.

(2) **Stewardship, Compliance and Accountability**

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the Homeland Security Special Revenue Fund and capital project funds, which adopt project-length budgets. All annual appropriations lapse at the fiscal year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Budgeted amounts are as originally adopted or as amended by the City Council through ordinances.

(3) **Cash and Investments**

The City of Dillingham utilizes a central bank account that is available for use by all funds. Each fund's portion of the account is displayed on the balance sheet as "cash and investments" or included in "due to other funds."

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2008.

Bank deposits	\$ 1,660,543	Cash and investments	\$ 4,889,066
Investments	<u>18,535,726</u>	Restricted cash and investments	<u>15,307,203</u>
	\$ <u>20,196,269</u>		\$ <u>20,196,269</u>

Investment Policy

The City's investment policy authorizes investments in:

1. Obligations of, or obligations insured or guaranteed by the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, repurchase agreements, bankers acceptances and other similar obligations of a bank domiciled in the United States that has an outstanding debt rated at least "A" or its equivalent, by a nationally recognized rating service.
3. Commercial paper and other short-term investments, which are rated at least "A" or its equivalent, by a nationally recognized rating service.
4. General obligations of a municipality within the United States, if the obligations are rated at least "A" by at least two nationally recognized rating services.
5. Mutual funds that consist of similar investments as listed above.
6. Money market and other cash equivalent investments (such as the Alaska Municipal League Investment Pool), with a maturity date of one year or less after date of investment, and that are of similar quality to the investments listed above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2008.

Bank deposits	\$ 1,660,543	Cash and investments	\$ 4,909,066
Investments	<u>18,535,726</u>	Restricted cash and investments	<u>15,287,203</u>
	\$ <u>20,196,269</u>		\$ <u>20,196,269</u>

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1. Obligations of, or obligations insured or guaranteed by the United States or an agency or instrumentality of the United States.
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3. Commercial paper and other short-term investments, which are rated at least "A" or its equivalent, by a nationally recognized rating service.
4. General obligations of a municipality within the United States, if the obligations are rated at least "A" by at least two nationally recognized rating services.
5. Mutual funds that consist of similar investments as listed above.
6. Money market and other cash equivalent investments (such as the Alaska Municipal League Investment Pool), with a maturity date of one year or less after date of investment, and that are of similar quality to the investments listed above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Investments, continued

Interest Rate Risk, continued

The City's investments all have maturity dates of less than one year and are comprised of the following:

<u>Investment Type</u>	<u>Fair Value</u>
Money market	\$ 15,315,831
U.S. government agencies	1,262,610
Certificates of deposit	<u>1,957,285</u>
Total	\$ <u>18,535,726</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the investments in U.S. government agencies are rated AAA by Moody's Investors Service. Investments in commercial paper are rated as P-1 by Moody's Investors Service.

(4) **Capital Assets**

Capital asset activity for the year ended June 30, 2008 follows:

	Balance July 1, <u>2007</u>	Additions and Reclassifications	Deletions and Reclassifications	Balance June 30, <u>2008</u>
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 4,862,446	-	-	4,862,446
Construction in progress	<u>419,501</u>	<u>736,477</u>	-	<u>1,155,978</u>
Total assets not being depreciated	<u>5,281,947</u>	<u>736,477</u>	-	<u>6,018,424</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,450,023	18,140	-	8,468,163
Improvements other than buildings	18,149,762	64,246	-	18,214,008
Machinery and equipment	<u>5,865,665</u>	<u>45,339</u>	<u>19,900</u>	<u>5,891,104</u>
Total assets being depreciated	<u>32,465,450</u>	<u>127,725</u>	<u>19,900</u>	<u>32,573,275</u>
Less accumulated depreciation for:				
Buildings	4,215,469	210,929	-	4,426,398
Improvements other than buildings	5,759,453	629,736	-	6,389,189
Machinery and equipment	<u>2,951,582</u>	<u>271,796</u>	<u>19,104</u>	<u>3,204,274</u>
Total accumulated depreciation	<u>12,926,504</u>	<u>1,112,461</u>	<u>19,104</u>	<u>14,019,861</u>
Total capital assets being depreciated, net	<u>19,538,946</u>	<u>(984,736)</u>	<u>796</u>	<u>18,553,414</u>
Governmental activity capital assets, net	\$ <u>24,820,893</u>	<u>(248,259)</u>	<u>796</u>	<u>24,571,838</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to the functions as follows:

General government	\$ 47,386
Public safety	84,573
Public works	52,262
Community services	11,831
Water and sewer	163,303
Boat harbor	46,143
Dock	345,185
Senior citizen center	25,768
Landfill	233,077
Education	<u>102,933</u>
Total depreciation expense	<u>\$ 1,112,461</u>

(5) **Interfund Receivables, Payables, and Transfers**

A schedule of interfund balances and transfers for the year ended June 30, 2008, follows:

Due from other funds:

Due to the General Fund from:

School Bonds Capital Project Fund for advances to cover capital costs	\$ 37,517
Dock and Harbor Capital Project Fund for advances to cover capital costs	174,414
Senior Citizen Center Special Revenue Fund for advances to cover operating costs	543,945
Nonmajor governmental funds for advances to cover operating and capital costs	<u>109,129</u>

Total amount due from other funds \$ 865,005

Transfers:

From General Fund to:

Senior Citizen Center Special Revenue Fund for operating costs	287,441
Nonmajor funds to establish funds	101,139
Nonmajor funds to cover operating costs	328,248
Nonmajor funds for capital costs	<u>128,902</u>
Total transfers from General Fund	845,730

From nonmajor funds to:

Dock and Harbor Capital Project Fund for capital costs	3,872
Other nonmajor funds for capital costs	34,678
Other nonmajor funds for operating costs	<u>111,606</u>

Total transfers to other funds \$ 995,886

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

(6) **Long-Term Debt**

Issuance of New Debt

In 2008, the City issued \$15,105,000 in 2008 Series One General Obligation School Bonds for the purpose of major renovation of school facilities. The bonds are due in annual installments of \$470,000 to \$1,120,000 plus semi-annual interest payments with rates of 4.0% - 5.0% through 2028. The bonds were issued at a premium of \$345,686.

The following is a summary of long-term debt transactions for the year ended June 30, 2008:

	Balance July 1, <u>2007</u>	<u>Additions</u>	<u>Retired</u>	Balance June 30, <u>2008</u>	Due Within <u>One Year</u>
\$15,105,000 2008 Series One School Bonds, due in annual installments of \$470,000 to \$1,120,000, plus interest at 4.0% to 5.0% through April 1, 2028	\$ <u>-</u>	<u>15,105,000</u>	<u>-</u>	<u>15,105,000</u>	<u>470,000</u>
Capital leases:					
\$181,500 street sweeper lease, due in monthly installments of \$3,355 including interest at 4.15% through 2011	113,377	-	36,238	77,139	37,771
\$120,487 front-end loader lease, due in monthly installments of \$2,234 including interest at 4.28% through 2009	<u>34,687</u>	<u>-</u>	<u>25,829</u>	<u>8,858</u>	<u>8,858</u>
Total capital leases payable	<u>148,064</u>	<u>-</u>	<u>62,067</u>	<u>85,997</u>	<u>46,629</u>
Accrued leave (net)	163,515	4,217	-	167,732	167,732
Net pension/OPEB obligation	223,992	577,828	570,657	231,163	-
Estimated landfill closure costs	<u>35,250</u>	<u>-</u>	<u>4,050</u>	<u>31,200</u>	<u>31,200</u>
Total long-term debt	\$ <u>570,821</u>	<u>15,687,045</u>	<u>636,774</u>	15,621,092	<u>715,561</u>
Plus unamortized bond premium				<u>345,686</u>	
				<u>\$ 15,966,778</u>	

Other long-term liabilities such as accrued leave and the net pension/OPEB obligation are generally liquidated by the General Fund.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

The annual requirements to amortize the general obligation bonds and capital leases outstanding at June 30, 2008 are as follows:

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 470,000	678,631	1,148,631
2010	495,000	682,590	1,177,590
2011	520,000	657,840	1,177,840
2012	545,000	631,840	1,176,840
2013	570,000	604,590	1,174,590
2014-2018	3,315,000	2,571,650	5,886,650
2019-2023	4,085,000	1,796,787	5,881,787
2024-2028	<u>5,105,000</u>	<u>780,535</u>	<u>5,885,535</u>
	<u>\$ 15,105,000</u>	<u>8,404,463</u>	<u>23,509,463</u>

Annual debt service requirements to maturity for the capital leases follow:

Year Ending <u>June 30,</u>	<u>Front End Loader</u>			<u>Street Sweeper</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 8,858	79	8,937	37,771	2,488	40,259
2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,368</u>	<u>891</u>	<u>40,259</u>
	<u>\$ 8,858</u>	<u>79</u>	<u>8,937</u>	<u>77,139</u>	<u>3,379</u>	<u>80,518</u>

(7) **Landfill Closure and Post-Closure Liability**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform monitoring after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City record a portion of these closure and post-closure care costs as an operating expenditure in each period based on landfill capacity used during that period.

The City has two separate landfill closure costs recorded. The old landfill still has approximately \$4,000 in estimated post-closure costs recorded based on management estimates. However, the City has been awarded a grant from the State of Alaska which will pay 70% (\$2,800) of the post-closure costs, resulting in a total estimated cost of \$1,200 to the City for the old landfill.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Landfill Closure and Post-Closure Liability, continued

The cell that is currently being used in the new landfill is essentially full and is expected to be closed during the next fiscal year. The estimated cost to close the cell is \$100,000 but the above-mentioned grant can be used to pay 70% of the cost leaving the City an estimated liability of \$30,000. The total estimated cost to the City to close the old landfill and cell number one of the new landfill is \$31,200. This amount is based on what it would cost to perform all closure and postclosure care in 2008. However, actual costs may change due to inflation, changes in technology, or changes in regulations. The City has built a new cell that is scheduled to be in operation in fiscal year 2010. Estimated closing costs for this new cell range from \$150,000 to \$200,000.

(8) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS), an agent multiple employer plan which covers eligible State and local government employees. The plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203

Funding Policy

Employees are required to contribute 6.75% of their annual covered salary (1.86% for pension and 4.89% for healthcare). Peace officers and firefighters must contribute 7.5% (2.07% for pension and 5.43% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due.

The City's contribution rates for 2008 are as follows:

	<u>Actuarial Rate</u>
Pension	6.74%
Postemployment healthcare	<u>17.78%</u>
Total contribution rate	<u>24.52%</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

The employer contribution rate for the current year was actuarially calculated as a level percentage of payroll and was determined using the projected unit credit actuarial funding method. Unfunded accrued liabilities and future gains/losses are amortized over a fixed 25 year period as a level percentage of pay based on a 4.0% payroll growth assumption.

The current year required contribution was determined as part of the June 30, 2005 actuarial valuation. Effective with the June 30, 2006 valuation (which establishes the 2009 rates), the actuarial funding method has been changed to the Entry Age Actuarial Cost Method.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

The significant actuarial assumptions used in the most recent valuation of the plan follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years and 4.0% thereafter (Police and Fire 6.0% for the first five years and 4.5% thereafter);
3. Medical cost inflation of 9.5% for 2006, trending downward 0.5% per year to 5.0% in FY15 and remaining at 5.0% thereafter; and prescription cost inflation of 14% for 2006, trending downward 1.0% per year to 5.0% in FY15 and remaining at 5.0% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually;
5. Mortality based on 1994 Group Annuity Mortality Basic Table, 1994 Base Year with 85% occupational for Peace Officer/Firefighter and 35% occupational for others;
6. Retirement rate based on 1997-1999 actual experience. Deferred vested members are assumed to retire at their earliest retirement date;

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

7. Asset valuation – recognizes 20% of the investment gain or loss in each of the current and preceding four years. Assets are valued at market value and are accounted for on an accrual basis. Valuation assets are constrained to a range of 80% to 120% of market value of assets; and,
8. Valuation of Medical Benefit based on analysis of actual claims paid for July 2001 – June 2005, averaged and annualized and adjusted for other factors plus administrative costs.

Annual Pension and Postemployment Healthcare Cost

Effective July 1, 2007, the State of Alaska adopted contribution rates for each employer at an amount no less than 14.48% and no more than 22%. The actual rate for City of Dillingham is 22.0%. The Legislature then approved state funding (Senate Bill 53) in the form of an on-behalf payment for those amounts between the established employer rate and the actuarially determined rate. This on-behalf payment was transferred to the Alaska Division of Retirement and Benefits at July 1, but was allocated to the individual employer accounts on a prorata basis with each payroll reporting period. The City has recorded \$56,785 in these financial statements as PERS relief or state grant revenue and related PERS expenditures. This amount is also included in employer contributions for the purpose of calculating the ending net pension/OPEB obligation as noted below.

In addition, in fiscal year 2008, the State of Alaska passed legislation (Senate Bill 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

For the year ended June 30, 2008, the City's annual pension and other post-employment benefit (OPEB) costs were as follows:

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Annual required contribution	\$ 157,824	416,082	573,906
Interest on net pension/OPEB obligation	5,082	13,397	18,479
Adjustment to annual required contribution	<u>(4,003)</u>	<u>(10,554)</u>	<u>(14,557)</u>
Annual pension/OPEB cost	158,903	418,925	577,828
Contributions made	<u>156,931</u>	<u>413,726</u>	<u>570,657</u>
Increase in net pension/OPEB obligation	1,972	5,199	7,171
Net pension/OPEB obligation, beginning of year	<u>182,206</u>	<u>41,786</u>	<u>223,992</u>
Net pension/OPEB obligation, end of year	<u>\$ 184,178</u>	<u>46,985</u>	<u>231,163</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension and Postemployment Healthcare Cost, continued

Three-year trend information for PERS follows:

	<u>Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Pension	2006	\$ 258,568	\$ 213,797	83%	\$ 160,867
	2007	263,476	242,137	92%	182,206
	2008	158,903	156,931	99%	184,178
	<u>Year Ending June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
Postemployment healthcare	2006	\$ 171,185	\$ 142,888	83%	\$ 28,297
	2007	184,274	170,785	93%	41,786
	2008	418,925	413,726	99%	46,985

Funding Progress

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as Percentage of Covered Payroll</u>
June 30, 2004:						
Pension	\$ 4,258,000	\$ 6,003,000	\$ 1,745,000	71%	\$ 2,018,000	86%
Postemployment healthcare	3,002,000	4,233,000	1,231,000	71%	2,018,000	61%
June 30, 2005:						
Pension	4,594,304	6,238,460	1,644,156	74%	2,065,357	80%
Postemployment healthcare	4,221,859	5,732,729	1,510,870	74%	2,065,357	73%
June 30, 2006:						
Pension	7,034,052	7,486,336	452,284	94%	2,134,479	21%
Postemployment healthcare	3,010,738	6,530,997	3,520,259	46%	2,134,479	165%

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

PERS Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill 125 which converts the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor. In addition, the legislation provides for state contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions would be recognized by each employer as an on-behalf payment.

As a result of this change, the City will not be obligated to pay or to continue amortizing the currently recorded Net Pension/OPEB obligation. As such, these liabilities will be written off and the City will recognize a gain on the legislation’s effective date, July 1, 2008.

(9) **Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees’ Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration Commissioner, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary and the City is required to make the following contributions:

Individual account	5.00 %
Health reimbursement arrangement (HRA)	3.00
Retiree medical plan	1.75
Occupational death and disability benefits	<u>.30</u>
	<u>10.05 %</u>

*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2008 were \$80,432 and \$29,244, respectively.

(10) **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the plan must be held in trust for the exclusive benefit of participants and their beneficiaries.

(11) **Risk Management**

The City faces a considerable number of risks of loss, including: (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs.

The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and workers' compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2008. The City has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

(12) **Conduit Debt**

On May 19, 2005, the City Council authorized the issuance of nonrecourse revenue refunding bonds in a principal amount not to exceed \$1,300,000 to refinance previously issued nonrecourse revenue bonds on behalf of Bristol Bay Native Association. The outstanding balance at June 30, 2008 was \$986,458. These bonds do not constitute a general obligation debt or pledge of the full faith and credit of the City. Accordingly, the bonds and related assets are not reflected in the accompanying financial statements.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

(13) **Contingent Liabilities and Commitments**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be nominal.

In the normal course of its activities, the City is involved in various claims and pending litigation.

SUPPLEMENTARY INFORMATION

CITY OF DILLINGHAM, ALASKA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 Year Ended June 30, 2008

	Special Revenue Funds							Capital Project Funds					Mary Carlson Estate Permanent Fund	Total Nonmajor Funds
	Water and Sewer	Landfill	Dock	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Homeland Security	Water and Sewer	School Repairs	Equipment Replacement	Ambulance Reserve	Landfill		
Assets														
Cash and investments	\$ 173,761	414	761,861	50	59,369	86,201	-	-	-	75,065	304,274	263,180	398,024	2,122,199
Receivables:														
Accounts	59,175	11,458	182,746	40,542	1,310	-	-	-	-	-	-	-	-	295,231
Grants	-	-	-	-	-	-	-	115,012	126,049	-	-	49,028	-	290,089
Allowance for uncollectible accounts	(27,349)	(661)	(3,402)	(9,618)	-	-	-	-	-	-	-	-	-	(41,030)
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	31,200	-	31,200
Total assets	\$ 205,587	11,211	941,205	30,974	60,679	86,201	-	115,012	126,049	75,065	304,274	343,408	398,024	2,697,689
Liabilities and Fund Balances														
Liabilities:														
Accounts payable	11,018	5,573	4,249	14,814	-	-	-	15,815	126,049	-	-	63,023	51	240,592
Accrued payroll and related liabilities	3,003	5,638	9,841	6,228	-	-	-	-	-	-	-	-	-	24,710
Due to other funds	-	-	-	9,932	-	-	-	99,197	-	-	-	-	-	109,129
Total liabilities	14,021	11,211	14,090	30,974	-	-	-	115,012	126,049	-	-	63,023	51	374,431
Fund balances:														
Reserved for museum and literary purposes	-	-	-	-	-	-	-	-	-	-	-	-	397,973	397,973
Unreserved:														
Designated:														
Capital projects	-	-	-	-	-	-	-	-	-	75,065	304,274	280,385	-	659,724
Subsequent year's expenditures	-	-	-	-	59,006	-	-	-	-	-	-	-	-	59,006
Undesignated	191,566	-	927,115	-	1,673	86,201	-	-	-	-	-	-	-	1,206,555
Total fund balances	191,566	-	927,115	-	60,679	86,201	-	-	-	75,065	304,274	280,385	397,973	2,323,258
Total liabilities and fund balances	\$ 205,587	11,211	941,205	30,974	60,679	86,201	-	115,012	126,049	75,065	304,274	343,408	398,024	2,697,689

CITY OF DILLINGHAM, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2008

	Special Revenue Funds							Capital Project Funds					Mary Carlson Estate Permanent Fund	Total Nonmajor Funds	
	Water and Sewer	Landfill	Dock	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Homeland Security	Water and Sewer	School Repairs	Senior Center	Equipment Replacement	Ambulance Reserve			Landfill
Revenues:															
State of Alaska	\$ 1,556	2,168	2,090	1,138	-	-	-	17,993	367,816	-	-	-	198,390	-	591,151
Federal government	-	-	-	-	-	-	-	97,844	-	16,174	-	-	-	-	167,404
Charges for services	380,976	123,383	466,694	90,535	15,725	29,057	24,329	-	-	-	-	-	-	-	1,077,313
Games and raffles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Penalties and interest	1,150	-	1,840	349	-	-	-	-	-	-	-	-	-	-	3,339
Lease and rental income	6,025	-	32,367	-	-	-	-	-	-	-	-	-	-	-	38,392
Investment income	1,649	-	12,009	-	155	179	-	-	-	-	382	3,693	4,457	24,912	
Other	5,912	-	13,958	8,066	-	6,613	-	-	-	-	-	-	-	-	34,549
Total revenues	<u>397,268</u>	<u>125,551</u>	<u>528,958</u>	<u>100,088</u>	<u>15,880</u>	<u>35,849</u>	<u>24,329</u>	<u>115,837</u>	<u>367,816</u>	<u>16,174</u>	<u>382</u>	<u>3,693</u>	<u>202,847</u>	<u>24,912</u>	<u>1,959,584</u>
Expenditures:															
Public safety	-	-	-	-	-	5,988	26,773	-	-	-	-	-	-	-	32,761
Community services	-	-	-	-	-	-	-	-	-	-	-	-	-	7,707	7,707
Water and sewer	351,515	-	-	-	-	-	-	-	-	-	-	-	-	-	351,515
Landfill	-	279,272	-	-	-	-	-	-	-	-	-	-	-	-	279,272
Dock	-	-	338,872	-	-	-	-	-	-	-	-	-	-	-	338,872
Boat harbor	-	-	-	272,170	-	-	-	-	-	-	-	-	-	-	272,170
Capital outlay	-	-	-	-	-	-	-	38,909	367,816	17,553	-	-	283,416	-	707,694
Total expenditures	<u>351,515</u>	<u>279,272</u>	<u>338,872</u>	<u>272,170</u>	<u>-</u>	<u>5,988</u>	<u>26,773</u>	<u>38,909</u>	<u>367,816</u>	<u>17,553</u>	<u>-</u>	<u>-</u>	<u>283,416</u>	<u>7,707</u>	<u>1,989,991</u>
Excess of revenues over (under) expenditures	45,753	(153,721)	190,086	(172,082)	15,880	29,861	(2,444)	76,928	-	(1,379)	382	3,693	(80,569)	17,205	(30,407)
Other financing sources (uses):															
Transfers in	111,607	153,721	-	172,082	44,799	56,340	2,444	34,678	-	1,379	55,000	72,523	-	-	704,573
Transfers out	(34,678)	-	(3,872)	-	-	-	-	(111,606)	-	-	-	-	-	-	(150,156)
Net other financing sources (uses)	<u>76,929</u>	<u>153,721</u>	<u>(3,872)</u>	<u>172,082</u>	<u>44,799</u>	<u>56,340</u>	<u>2,444</u>	<u>(76,928)</u>	<u>-</u>	<u>1,379</u>	<u>55,000</u>	<u>72,523</u>	<u>-</u>	<u>-</u>	<u>554,417</u>
Net change in fund balances	122,682	-	186,214	-	60,679	86,201	-	-	-	-	55,382	76,216	(80,569)	17,205	524,010
Fund balances at beginning of year	<u>68,884</u>	<u>-</u>	<u>740,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,683</u>	<u>228,058</u>	<u>360,954</u>	<u>380,768</u>	<u>1,799,248</u>
Fund balances at end of year	<u>\$ 191,566</u>	<u>-</u>	<u>927,115</u>	<u>-</u>	<u>60,679</u>	<u>86,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,065</u>	<u>304,274</u>	<u>280,385</u>	<u>397,973</u>	<u>2,323,258</u>

General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as administrative services, police and fire protection, street maintenance, planning, library, museum and other community services, etc.

General Fund revenues come from a variety of sources such as the State of Alaska, property and sales taxes, interest, etc. General Fund expenditures are made primarily for current day-to-day operating purposes.

CITY OF DILLINGHAM, ALASKA

General Fund

Balance Sheet

June 30, 2008

(With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 2,238,362	2,192,210
Receivables:		
Sales taxes	432,777	469,033
Property taxes, penalties and interest	470,174	599,013
Accounts	293,290	198,890
Grants	28,863	11,474
Allowance for uncollectible accounts	(361,349)	(431,676)
Due from other funds	865,005	870,403
Prepaid items	<u>13,917</u>	<u>8,082</u>
 Total assets	 \$ <u>3,981,039</u>	 <u>3,917,429</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities:		
Accounts payable	73,453	134,393
Accrued payroll and related liabilities	102,872	83,247
Deferred revenue	<u>329,203</u>	<u>386,071</u>
Total liabilities	<u>505,528</u>	<u>603,711</u>
 Fund balance:		
Reserved for prepaid items	13,917	8,082
Unreserved:		
Designated for subsequent year's expenditures	378,687	-
Undesignated	<u>3,082,907</u>	<u>3,305,636</u>
Total fund balance	<u>3,475,511</u>	<u>3,313,718</u>
 Total liabilities and fund balance	 \$ <u>3,981,039</u>	 <u>3,917,429</u>

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	2008		Variance Positive (Negative)	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Sales taxes	\$ 2,400,000	2,357,636	(42,364)	2,337,087
Alcohol sales taxes	225,000	210,757	(14,243)	245,296
Transient lodging sales tax	54,000	53,740	(260)	67,470
Real property taxes	1,370,000	1,291,832	(78,168)	1,222,898
Personal property taxes	467,000	420,400	(46,600)	386,936
Penalty and interest on property taxes	30,000	49,376	19,376	26,900
Foreclosure costs	-	552	552	-
Penalty and interest on sales taxes	15,000	49,555	34,555	33,911
Gaming taxes	90,000	120,632	30,632	117,709
Payment in lieu of taxes	260,000	263,920	3,920	264,181
Total taxes	<u>4,911,000</u>	<u>4,818,400</u>	<u>(92,600)</u>	<u>4,702,388</u>
State of Alaska:				
Jail contract revenue	390,000	428,963	38,963	428,963
Raw fish tax	150,000	183,743	33,743	147,986
Shared fisheries business tax	27,600	27,705	105	27,584
Electric and telephone co-op tax	70,000	66,144	(3,856)	132,537
Energy assistance grant	187,000	187,607	607	91,764
Motor vehicle tax	26,600	32,020	5,420	26,731
PERS relief	-	45,468	45,468	85,750
DMV commission revenue	35,000	39,905	4,905	48,940
Liquor licenses	4,200	4,600	400	6,700
Library grant	7,000	6,350	(650)	6,250
Total State of Alaska	<u>897,400</u>	<u>1,022,505</u>	<u>125,105</u>	<u>1,003,205</u>
Federal government:				
Emergency management planning grant	12,500	10,412	(2,088)	12,497
COPS grant	-	-	-	8,007
Volunteer fire assistance	7,500	2,000	(5,500)	7,500
Public safety grants	10,000	9,815	(185)	14,294
Library grants	6,000	6,000	-	6,000
Total federal government	<u>36,000</u>	<u>28,227</u>	<u>(7,773)</u>	<u>48,298</u>

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008		Variance Positive (Negative)	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Charges for services:				
Administrative overhead charges	\$ 350,600	343,478	(7,122)	327,481
Document copies	100	542	442	-
Platting and mapping fees	300	1,488	1,188	344
Emergency 911	860	1,004	144	16,060
Ambulance fees	<u>40,000</u>	<u>73,836</u>	<u>33,836</u>	<u>102,491</u>
Total charges for services	<u>391,860</u>	<u>420,348</u>	<u>28,488</u>	<u>446,376</u>
Licenses and permits:				
Dog licenses	3,500	2,961	(539)	3,713
Business licenses	16,000	16,200	200	18,850
Land use permits	<u>200</u>	<u>225</u>	<u>25</u>	<u>200</u>
Total licenses and permits	<u>19,700</u>	<u>19,386</u>	<u>(314)</u>	<u>22,763</u>
Fines and forfeitures:				
Title 47 fines	2,000	2,360	360	1,735
Library fines and donations	<u>1,500</u>	<u>3,378</u>	<u>1,878</u>	<u>1,950</u>
Total fines and forfeitures	<u>3,500</u>	<u>5,738</u>	<u>2,238</u>	<u>3,685</u>
Lease and rental income	<u>2,940</u>	<u>2,755</u>	<u>(185)</u>	<u>3,908</u>
Investment income	<u>95,000</u>	<u>147,613</u>	<u>52,613</u>	<u>111,820</u>
Other revenues:				
Other library grants	8,100	6,235	(1,865)	8,000
Bristol Bay Economic Development Corporation	-	-	-	11,956
Equipment sales	500	-	(500)	25,270
Asset forfeitures	-	-	-	44,854
Other	<u>7,200</u>	<u>17,028</u>	<u>9,828</u>	<u>3,810</u>
Total other revenues	<u>15,800</u>	<u>23,263</u>	<u>7,463</u>	<u>93,890</u>
Total revenues	<u>6,373,200</u>	<u>6,488,235</u>	<u>115,035</u>	<u>6,436,333</u>

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Expenditures:				
General government:				
City council:				
Council contributions	\$ 1,770	1,764	6	199
Travel	5,500	1,943	3,557	6,592
Subscriptions and memberships	5,600	4,493	1,107	4,450
Supplies	810	722	88	702
Telephone	220	214	6	-
Contract labor	19,235	3,310	15,925	25,274
Bond consultant	17,900	9,894	8,006	-
Bond promotion	2,100	2,095	5	-
Training	1,000	255	745	285
Minor tools and equipment	2,000	212	1,788	-
Lobbying	20,000	20,000	-	15,500
Total city council	76,135	44,902	31,233	53,002
City administration:				
Salaries	147,785	147,777	8	166,709
Overtime salaries	210	202	8	161
Employee benefits	77,100	77,093	7	51,871
Travel	2,485	2,484	1	1,789
Subscriptions and memberships	705	702	3	438
Contract labor	15,495	913	14,582	-
Supplies	5,050	5,047	3	1,892
Training	550	549	1	215
Minor tools and equipment	2,620	2,619	1	870
Total city administration	252,000	237,386	14,614	223,945
City clerk:				
Salaries	55,590	55,586	4	46,358
Overtime salaries	-	-	-	4,185
Employee benefits	33,540	33,535	5	20,673
Advertising	6,000	5,570	430	10,423
Travel	2,870	2,707	163	2,669
Subscriptions and memberships	1,000	468	532	290
Supplies	3,515	3,073	442	632
Training	550	410	140	1,133

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
City clerk, continued:				
Contract labor	\$ 42,385	41,573	812	4,920
Minor tools and equipment	2,775	2,775	-	1,575
Elections	3,910	3,909	1	2,365
Appraisal	21,149	21,149	-	14,366
Codification	5,000	250	4,750	231
Title search	2,851	20	2,831	-
Foreclosure	7,200	5,395	1,805	-
Total city clerk	<u>188,335</u>	<u>176,420</u>	<u>11,915</u>	<u>109,820</u>
Finance:				
Salaries	283,205	283,201	4	229,510
Overtime salaries	845	844	1	643
Employee benefits	195,900	195,891	9	121,887
Advertising	-	-	-	25
Travel	5,475	5,472	3	3,137
Subscriptions and memberships	1,710	1,707	3	1,560
Bank charges	1,320	1,320	-	226
Supplies	2,180	2,179	1	2,878
Cash over/under	100	(58)	158	(490)
Telephone	-	-	-	1,860
Recruitment	-	-	-	2,977
Collection agency and lien processing fees	695	686	9	483
Training	1,770	1,764	6	935
Alaska FICA administrative program	130	126	4	121
Minor tools and equipment	3,795	3,792	3	2,094
Total finance	<u>497,125</u>	<u>496,924</u>	<u>201</u>	<u>367,846</u>
Legal	<u>45,000</u>	<u>32,709</u>	<u>12,291</u>	<u>56,735</u>
Insurance:				
General liability	65,100	60,375	4,725	56,740
Property	23,500	23,484	16	32,613
Automobile	17,400	17,321	79	15,299
Total insurance	<u>106,000</u>	<u>101,180</u>	<u>4,820</u>	<u>104,652</u>

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008		Variance Positive (Negative)	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
Nondepartmental:				
Advertising	\$ 1,960	1,958	2	488
Office supplies	1,985	1,982	3	4,884
Food items	200	199	1	218
Postage	9,505	9,503	2	10,588
Computer supplies	5,480	5,479	1	5,683
Computer software	925	922	3	-
Computer hardware	55	51	4	1,514
Computer support services	16,050	15,886	164	15,508
Telephone	15,200	14,800	400	14,264
Other	850	850	-	33
Sales tax audits	10,000	10,000	-	-
Engineering	8,940	150	8,790	11,135
Technology plan	10,000	-	10,000	-
Accounting services and audit	26,300	26,298	2	25,790
Gas, oil and grease	660	659	1	594
Minor tools and equipment	-	-	-	818
Vehicle repairs	755	753	2	465
Copier repair and maintenance	5,215	5,213	2	4,102
Case loader lease	26,811	26,810	1	-
Credit card processing fees	30,520	30,516	4	22,475
Total nondepartmental	<u>171,411</u>	<u>152,029</u>	<u>19,382</u>	<u>118,559</u>
Planning:				
Salaries	50,060	50,051	9	27,936
Employee benefits	23,325	23,323	2	12,834
Advertising	700	700	-	2,165
Travel	1,751	1,751	-	848
Subscriptions and memberships	738	738	-	138
Recording fees	52	52	-	38
Supplies	1,369	1,368	1	3,090
BBEDC planning grant	-	-	-	10,921
Telephone	-	-	-	634
Contract labor	16,748	16,748	-	4,380

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008			2007
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures, continued:				
General government, continued:				
Planning, continued:				
Training	\$ 3,512	3,508	4	1,100
Neighborhood initiative	4,565	4,561	4	5,000
Minor tools and equipment	2,930	2,926	4	2,974
Total planning	105,750	105,726	24	72,058
Total general government	1,441,756	1,347,276	94,480	1,106,617
Public safety:				
Police dispatch:				
Salaries	156,345	156,341	4	158,771
Overtime salaries	51,855	51,850	5	40,361
Employee benefits	103,295	103,288	7	75,920
Advertising	1,610	1,608	2	22
Travel	1,025	1,025	-	3,956
Subscriptions and memberships	-	-	-	15
Supplies	2,710	2,708	2	2,005
Postage	300	300	-	300
Telephone	8,035	8,032	3	6,255
Electricity	2,760	2,757	3	3,074
Water and sewer	275	274	1	274
Refuse collection	345	343	2	340
Heating fuel	2,675	2,670	5	2,995
Computer support services	2,330	2,326	4	4,630
APSIN contract	550	532	18	532
Uniforms	400	397	3	914
Training	200	199	1	1,042
Minor tools and equipment	1,060	1,056	4	5,608
Building repairs	1,185	1,185	-	4,469
Equipment repairs	1,565	1,562	3	1,051
Total police dispatch	338,520	338,453	67	312,534
Police department:				
Salaries	351,205	326,167	25,038	341,037
Overtime salaries	58,800	58,758	42	61,660
Employee benefits	245,200	238,950	6,250	204,027

CITY OF DILLINGHAM, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Police department, continued:				
Recruiting	\$ 1,000	765	235	2,329
Advertising	2,500	2,497	3	284
Travel	5,000	3,979	1,021	3,169
Subscriptions and memberships	800	200	600	1,042
Supplies	4,200	4,074	126	3,671
Postage	1,000	812	188	610
Computer support services	610	40	570	-
Telephone	6,030	6,021	9	3,905
Electricity	4,500	3,849	651	4,283
Water and sewer	400	382	18	382
Refuse collection	500	479	21	475
Heating fuel	4,500	3,726	774	4,179
Investigations	2,860	2,857	3	6,849
Film development	500	-	500	240
Uniforms	4,000	2,796	1,204	4,050
Contract labor and towing	835	760	75	-
Training	12,500	3,945	8,555	5,882
Gas, oil and grease	22,740	22,739	1	18,627
Minor tools and equipment	5,980	5,973	7	9,802
Major equipment	45,350	45,340	10	4,536
Vehicle maintenance	18,960	18,956	4	11,580
Building repairs	325	282	43	2,021
Equipment repairs	1,810	1,807	3	1,802
Insurance	19,000	18,958	42	17,148
Total police department	<u>821,105</u>	<u>775,112</u>	<u>45,993</u>	<u>713,590</u>
Jail:				
Salaries	186,860	185,673	1,187	173,299
Overtime salaries	28,225	28,221	4	45,325
Employee benefits	120,445	120,202	243	110,379
Recruiting	-	-	-	28
Advertising	200	162	38	22
Subscriptions and memberships	500	204	296	-
Supplies	7,430	7,423	7	4,295

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Jail, continued:				
Postage	\$ 750	400	350	400
Telephone	1,250	1,190	60	993
Electricity	15,055	15,051	4	16,808
Water and sewer	1,500	1,497	3	1,497
Refuse collection	1,880	1,877	3	1,861
Heating fuel	14,925	14,601	324	16,376
Uniforms	500	-	500	612
Training	2,500	-	2,500	270
Gas, oil and grease	300	196	104	209
Janitorial	1,000	612	388	30
Food	27,760	27,754	6	19,117
Minor tools and equipment	3,500	3,364	136	2,147
Vehicle maintenance	700	265	435	58
Building repairs	3,880	1,678	2,202	1,446
Required inspections	980	972	8	922
Equipment repairs	1,210	1,205	5	317
Insurance	8,500	8,430	70	5,100
Total jail	<u>429,850</u>	<u>420,977</u>	<u>8,873</u>	<u>401,511</u>
Department of motor vehicles:				
Salaries	44,450	44,412	38	43,825
Employee benefits	21,550	21,549	1	19,483
Supplies	450	241	209	-
Postage	-	(244)	244	(299)
Telephone	560	552	8	491
Electricity	560	551	9	602
Water and sewer	60	55	5	55
Refuse collection	70	69	1	69
Heating fuel	680	538	142	604
APSIN contract	550	532	18	532
Minor tools and equipment	500	50	450	-
Building repairs	250	-	250	-
Required inspections	30	-	30	-
Equipment repairs	250	100	150	-
Total department of motor vehicles	<u>69,960</u>	<u>68,405</u>	<u>1,555</u>	<u>65,362</u>

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008			2007
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures, continued:				
Public safety, continued:				
Fire department:				
Salaries	\$ 69,100	69,035	65	64,767
EMT- seasonal	-	-	-	1,256
Employee benefits	40,500	40,090	410	32,301
Worker's comp - volunteers	5,900	4,320	1,580	4,627
Advertising	200	-	200	22
Travel	7,500	6,085	1,415	3,243
Subscriptions and memberships	550	511	39	475
Supplies	3,050	3,013	37	2,574
Postage	1,115	1,112	3	342
Computer supplies and software	1,680	351	1,329	1,600
Telephone	4,280	4,276	4	3,416
Electricity	7,780	5,785	1,995	6,021
Water and sewer	1,020	1,010	10	1,010
Refuse collection	50	-	50	-
Heating fuel	18,210	18,206	4	17,174
EMS and fire supplies	8,270	8,265	5	5,216
Public education	500	115	385	-
Emergency management	1,000	-	1,000	85
Member recognition	4,650	4,366	284	4,735
Training	8,905	6,415	2,490	3,972
Gas, oil and grease	4,000	2,642	1,358	3,625
Janitorial	600	317	283	146
Sample testing	600	440	160	637
Medical tests	1,500	619	881	-
Minor tools and equipment	11,140	5,226	5,914	16,487
Fire department airport lease	500	292	208	1,000
Vehicle repairs	10,600	5,918	4,682	9,575
Building repairs	13,550	748	12,802	1,497
Required inspections	1,500	995	505	479
Insurance	-	-	-	1,465
Major equipment	50,000	-	50,000	-
Equipment repairs	4,000	2,269	1,731	2,140
Volunteer fire equipment grant	2,300	2,299	1	7,332
Total fire department	284,550	194,720	89,830	197,219

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008			2007
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	\$ 40,000	28,838	11,162	43,863
Overtime salaries	5,000	4,582	418	126
Employee benefits	28,000	18,974	9,026	30,357
Travel	2,900	2,846	54	-
Supplies	1,000	925	75	580
Refuse collection	250	-	250	135
Uniforms	400	370	30	462
Contract services	1,000	970	30	385
Animal shelter expenditures	5,090	3,995	1,095	10,709
Training	1,100	1,020	80	1,126
Gas, oil and grease	3,000	2,750	250	2,813
Minor tools and equipment	1,500	683	817	318
Vehicle repairs	3,410	3,401	9	5,112
Total animal control	<u>92,650</u>	<u>69,354</u>	<u>23,296</u>	<u>95,986</u>
Total public safety	<u>2,036,635</u>	<u>1,867,021</u>	<u>169,614</u>	<u>1,786,202</u>
Public works:				
Administration:				
Salaries	63,684	63,681	3	66,012
Overtime salaries	800	799	1	587
Employee benefits	37,168	37,163	5	42,102
Recruiting	4,532	4,532	-	-
Advertising	1,183	1,183	-	238
Travel	593	593	-	-
Supplies	1,514	1,514	-	1,592
Training	399	399	-	-
Telephone	2,743	2,743	-	1,072
Gas, oil and grease	1,976	1,972	4	3,119
Minor tools and equipment	655	654	1	378
Vehicle repairs	653	652	1	140
Total administration	<u>115,900</u>	<u>115,885</u>	<u>15</u>	<u>115,240</u>

CITY OF DILLINGHAM, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Building and grounds maintenance:				
Salaries	\$ 65,585	65,581	4	60,821
Overtime salaries	860	857	3	1,889
Employee benefits	45,290	45,289	1	34,980
Supplies	5,720	5,715	5	5,094
Telephone	1,870	1,867	3	2,222
Electricity	13,080	13,080	-	10,339
Water and sewer	2,145	2,141	4	2,141
Refuse collection	260	260	-	252
Heating fuel	32,640	32,233	407	30,200
Contract labor	-	-	-	120
Janitorial	12,080	12,079	1	12,066
Training	75	75	-	195
Gas, oil and grease	4,360	4,356	4	3,529
Minor tools and equipment	3,400	3,400	-	3,312
Vehicle maintenance	2,595	2,592	3	2,318
Building repairs	5,865	5,778	87	12,265
Used oil supplies	515	511	4	2,005
Equipment repairs	335	335	-	563
Total building and grounds maintenance	<u>196,675</u>	<u>196,149</u>	<u>526</u>	<u>184,311</u>
Shop maintenance:				
Salaries	97,175	97,174	1	96,958
Overtime salaries	6,910	6,908	2	5,191
Employee benefits	69,600	69,596	4	61,027
Allocated to other funds	(88,595)	(88,595)	-	(45,994)
Supplies	10,805	10,801	4	11,363
Telephone	2,000	1,999	1	3,098
Refuse collection	2,505	2,502	3	2,385
Heating fuel	25,815	25,812	3	20,188
Gas, oil and grease	1,985	1,985	-	2,337
Minor tools and equipment	14,120	14,118	2	3,187
Major equipment	-	-	-	8,955
Vehicle repairs	615	614	1	1,561
Required inspections	735	730	5	200
Equipment repairs	1,350	1,332	18	735
Total shop maintenance	<u>145,020</u>	<u>144,976</u>	<u>44</u>	<u>171,191</u>

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	<u>2008</u>		Variance Positive (Negative)	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries	\$ 87,575	87,573	2	80,511
Overtime salaries	10,910	10,908	2	5,481
Employee benefits	74,975	74,971	4	61,198
Supplies	3,115	3,112	3	2,547
Electricity	17,350	17,348	2	17,252
Salt and calcium	15,665	15,662	3	15,590
Street signs	505	501	4	1,893
Road maintenance	22,425	22,423	2	18,250
Gas, oil and grease	51,488	51,488	-	38,144
Gravel	814	814	-	330
Minor tools and equipment	528	524	4	669
Vehicle repairs	16,420	16,419	1	10,600
Street sweeper lease	40,259	40,259	-	-
Equipment repairs	51,000	50,998	2	48,363
Total streets	<u>393,029</u>	<u>393,000</u>	<u>29</u>	<u>300,828</u>
Total public works	<u>850,624</u>	<u>850,010</u>	<u>614</u>	<u>771,570</u>
Community services:				
Library:				
Salaries	43,900	41,602	2,298	25,345
Overtime salaries	650	640	10	296
Employee benefits	24,670	24,658	12	11,734
Advertising	70	61	9	50
Travel	430	-	430	814
Subscriptions and memberships	100	-	100	30
Supplies	2,195	2,191	4	1,432
Postage	610	607	3	-
Software	1,429	856	573	1,006
Telephone and internet	2,600	1,479	1,121	170
Electricity	6,340	3,547	2,793	3,851
Water and sewer	1,460	1,457	3	1,457
Refuse collection	300	260	40	252
Heating fuel	7,000	5,558	1,442	6,073
Audio visual	3,000	2,908	92	1,340

CITY OF DILLINGHAM, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	<u>2008</u>		Variance Positive (Negative)	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Community services, continued:				
Library, continued:				
Books	\$ 7,979	7,916	63	7,538
Periodicals	589	586	3	873
Required inspections	-	-	-	100
Collection preservation	1,958	552	1,406	494
Contract labor	7,848	7,597	251	7,480
Minor tools and equipment	1,672	1,672	-	811
Training	500	-	500	100
Building repairs	1,850	258	1,592	1,867
Equipment repairs	250	-	250	-
Total library	<u>117,400</u>	<u>104,405</u>	<u>12,995</u>	<u>73,113</u>
Community development:				
Senior center	10,000	10,000	-	-
Museum	1,000	1,000	-	500
Health center	<u>1,000</u>	<u>1,000</u>	-	<u>1,000</u>
Total community development	<u>12,000</u>	<u>12,000</u>	-	<u>1,500</u>
Total community services	<u>129,400</u>	<u>116,405</u>	<u>12,995</u>	<u>74,613</u>
Education - contribution to School District	<u>1,300,000</u>	<u>1,300,000</u>	-	<u>1,125,000</u>
Total expenditures	<u>5,758,415</u>	<u>5,480,712</u>	<u>277,703</u>	<u>4,864,002</u>
Excess of revenues over expenditures	614,785	1,007,523	392,738	1,572,331
Other financing sources (uses):				
Transfers in	-	-	-	49,217
Transfers out	<u>(652,472)</u>	<u>(845,730)</u>	<u>(193,258)</u>	<u>(717,884)</u>
Net other financing sources (uses)	<u>(652,472)</u>	<u>(845,730)</u>	<u>(193,258)</u>	<u>(668,667)</u>
Net change in fund balance	\$ <u>(37,687)</u>	161,793	<u>199,480</u>	903,664
Fund balance at beginning of year		<u>3,313,718</u>		<u>2,410,054</u>
Fund balance at end of year	\$	<u>3,475,511</u>		<u>3,313,718</u>

Special Revenue Funds

A Special Revenue Fund is established to finance particular activities and is created from receipts of designated revenues that are restricted for expenditures for specified purposes. The City of Dillingham's Special Revenue Funds are as follows:

Water and Sewer – this fund accounts for the operations of the water and sewer system.

Landfill – this fund accounts for the operations of the City's landfill.

Dock – this fund accounts for the operations of the City's docks.

Boat Harbor – this fund accounts for the activities of the City's small boat harbor.

Enhanced 911 Service – this fund accounts for activities of the 911 services.

Asset Forfeiture – this fund accounts for the use of funds from asset forfeitures.

Senior Citizen Center – this fund accounts for the activities of the Senior Citizen Center.

Homeland Security – this fund accounts for the activities related to homeland security grants.

CITY OF DILLINGHAM, ALASKA
Water and Sewer Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Charges for services:				
Water sales	\$ 139,400	150,276	10,876	148,421
Sewer fees	<u>231,100</u>	<u>230,700</u>	<u>(400)</u>	<u>233,197</u>
Total charges for services	370,500	380,976	10,476	381,618
Penalties and interest	3,000	1,150	(1,850)	4,133
Investment income	-	1,649	1,649	2,806
Lease and rental income	1,000	6,025	5,025	3,150
State PERS relief	-	1,556	1,556	4,212
Other	<u>6,000</u>	<u>5,912</u>	<u>(88)</u>	<u>9,682</u>
Total revenues	<u>380,500</u>	<u>397,268</u>	<u>16,768</u>	<u>405,601</u>
Expenditures:				
Water:				
Salaries	37,500	31,973	5,527	31,689
Overtime salaries	5,712	4,637	1,075	6,251
Employee benefits	28,000	22,006	5,994	23,965
Contract labor	500	160	340	400
Advertising	260	255	5	-
Supplies	12,279	11,810	469	8,619
Gas, oil and grease	2,910	2,907	3	2,985
Utilities and telephone	29,940	29,321	619	29,117
Travel and training	2,000	1,816	184	946
Administrative overhead	36,300	32,925	3,375	33,220
Building and equipment repairs	9,390	9,329	61	14,692
Insurance	4,800	4,705	95	2,627
Minor tools and equipment	6,859	6,855	4	1,434
Sample testing and inspections	<u>1,600</u>	<u>1,530</u>	<u>70</u>	<u>2,379</u>
Total water	<u>178,050</u>	<u>160,229</u>	<u>17,821</u>	<u>158,324</u>

CITY OF DILLINGHAM, ALASKA
 Water and Sewer Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	<u>2008</u>		Variance	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Positive	<u>Actual</u>
			(Negative)	
Expenditures, continued:				
Sewer:				
Salaries	\$ 37,500	34,899	2,601	32,605
Overtime salaries	6,252	5,502	750	4,146
Employee benefits	28,000	24,953	3,047	22,964
Travel and training	1,000	-	1,000	-
Contract labor	-	-	-	160
Advertising	260	255	5	-
Supplies	7,408	5,534	1,874	4,866
Gas, oil and grease	3,250	2,908	342	2,936
Utilities and telephone	55,681	48,045	7,636	50,679
Administrative overhead	44,500	39,329	5,171	38,318
Building and equipment repairs	20,013	18,086	1,927	14,354
Insurance	2,800	2,709	91	2,627
Sample testing and inspections	8,586	8,585	1	8,035
Minor tools and equipment	500	481	19	208
Total sewer	<u>215,750</u>	<u>191,286</u>	<u>24,464</u>	<u>181,898</u>
Total expenditures	<u>393,800</u>	<u>351,515</u>	<u>42,285</u>	<u>340,222</u>
Excess of revenues over (under) expenditures	(13,300)	45,753	59,053	65,379
Other financing sources (uses):				
Transfers in	-	111,607	111,607	-
Transfers out	<u>-</u>	<u>(34,678)</u>	<u>(34,678)</u>	<u>(127,134)</u>
Net other financing sources (uses)	<u>-</u>	<u>76,929</u>	<u>76,929</u>	<u>(127,134)</u>
Net change in fund balance	\$ <u>(13,300)</u>	122,682	<u>135,982</u>	(61,755)
Fund balance at beginning of year		<u>68,884</u>		<u>130,639</u>
Fund balance at end of year	\$	<u>191,566</u>		<u>68,884</u>

CITY OF DILLINGHAM, ALASKA
Landfill Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>		Variance Positive (Negative)	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Landfill fees	\$ 125,000	123,383	(1,617)	130,869
Miscellaneous	-	-	-	360
State PERS relief	-	2,168	2,168	4,918
Total revenues	<u>125,000</u>	<u>125,551</u>	<u>551</u>	<u>136,147</u>
Expenditures:				
Salaries	91,090	82,957	8,133	90,971
Overtime salaries	5,906	5,902	4	2,484
Employee benefits	66,000	58,931	7,069	61,023
Utilities and telephone	12,410	11,483	927	11,005
Supplies	3,780	3,777	3	5,211
Gas, oil and grease	18,820	18,802	18	19,717
Insurance	7,300	7,286	14	10,295
Contract labor	-	-	-	48
Training	500	-	500	-
Sample testing and inspections	10,886	10,211	675	19,443
Recycled batteries	3,924	3,178	746	-
Administrative overhead	64,300	57,299	7,001	64,111
Building and equipment repairs	18,539	17,121	1,418	19,382
Minor tools and equipment	1,090	1,078	12	1,229
In-kind landfill fees	1,185	1,185	-	-
Advertising	70	62	8	-
Total expenditures	<u>305,800</u>	<u>279,272</u>	<u>26,528</u>	<u>304,919</u>
Excess of revenues over (under) expenditures	(180,800)	(153,721)	27,079	(168,772)
Other financing sources (uses):				
Transfers in	187,000	153,721	(33,279)	176,272
Transfers out	(7,500)	-	7,500	(7,500)
Net other financing sources (uses)	<u>179,500</u>	<u>153,721</u>	<u>(25,779)</u>	<u>168,772</u>
Net change in fund balance	\$ <u>(1,300)</u>	-	<u>1,300</u>	-
Fund balance at beginning of year		-		-
Fund balance at end of year	\$	<u>-</u>		<u>-</u>

CITY OF DILLINGHAM, ALASKA
 Dock Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Charges for services:				
Wharfage and handling	\$ 300,000	400,606	100,606	443,715
Docking	48,000	59,757	11,757	84,683
Labor income	<u>5,000</u>	<u>6,331</u>	<u>1,331</u>	<u>8,286</u>
Total charges for services	353,000	466,694	113,694	536,684
Penalties and interest	1,000	1,840	840	769
Investment income	-	12,009	12,009	12,068
Lease and rental income	30,000	32,367	2,367	42,546
State PERS relief	-	2,090	2,090	2,833
Other	<u>2,000</u>	<u>13,958</u>	<u>11,958</u>	<u>3,490</u>
Total revenues	<u>386,000</u>	<u>528,958</u>	<u>142,958</u>	<u>598,390</u>
Expenditures:				
Salaries	87,140	77,852	9,288	76,489
Overtime salaries	20,000	18,054	1,946	25,256
Employee benefits	73,860	71,741	2,119	55,554
Advertising	560	558	2	-
Contract labor	2,000	1,661	339	-
Utilities and telephone	15,641	12,042	3,599	15,903
Supplies	5,000	3,279	1,721	5,541
Gas, oil and grease	13,450	12,162	1,288	12,364
Insurance	36,500	36,474	26	45,383
Administrative overhead	77,400	68,797	8,603	73,210
Major equipment	-	-	-	37,005
Minor tools and equipment	1,000	919	81	2,296
Building and equipment repairs	27,789	27,781	8	29,816
Dock repair	6,830	6,822	8	8,613
Inspections	<u>730</u>	<u>730</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>367,900</u>	<u>338,872</u>	<u>29,028</u>	<u>387,430</u>
Excess of revenues over expenditures	18,100	190,086	171,986	210,960
Other financing uses - transfers out	<u>-</u>	<u>(3,872)</u>	<u>(3,872)</u>	<u>(8,820)</u>
Net change in fund balance	\$ <u>18,100</u>	186,214	<u>168,114</u>	202,140
Fund balance at beginning of year		<u>740,901</u>		<u>538,761</u>
Fund balance at end of year	\$	<u>927,115</u>		<u>740,901</u>

CITY OF DILLINGHAM, ALASKA
 Boat Harbor Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Charges for services - boat harbor fees	\$ 100,000	90,535	(9,465)	72,284
Penalties and interest	1,000	349	(651)	878
Bathhouse revenue	1,500	1,892	392	2,372
Investment income	150	-	(150)	142
State PERS relief	-	1,138	1,138	2,985
Other	1,000	6,174	5,174	1,035
Total revenues	<u>103,650</u>	<u>100,088</u>	<u>(3,562)</u>	<u>79,696</u>
Expenditures:				
Salaries	65,630	65,630	-	62,590
Overtime salaries	8,245	8,245	-	5,430
Employee benefits	40,445	40,440	5	31,537
Travel	155	155	-	1,332
Advertising	560	558	2	225
Landing lease	-	-	-	14,400
Supplies	6,935	6,922	13	3,071
Gas, oil and grease	2,380	2,377	3	2,408
Utilities and telephone	30,848	30,833	15	31,654
Contract labor	8,442	8,442	-	-
Training	20	20	-	180
Administrative overhead	42,800	50,667	(7,867)	43,119
Minor tools and equipment	3,885	3,880	5	2,926
Building and equipment repairs	10,635	14,912	(4,277)	16,270
Insurance	25,685	25,680	5	4,781
Major equipment	-	-	-	19,851
Miscellaneous	5,375	5,375	-	6,599
Inspections	120	119	1	200
Ice machine	4,940	7,915	(2,975)	660
Total expenditures	<u>257,100</u>	<u>272,170</u>	<u>(15,070)</u>	<u>247,233</u>
Excess of revenues over (under) expenditures	(153,450)	(172,082)	(18,632)	(167,537)
Other financing sources - transfers in	<u>132,750</u>	<u>172,082</u>	<u>39,332</u>	<u>167,537</u>
Net change in fund balance	\$ <u>(20,700)</u>	-	<u>20,700</u>	-
Fund balance at beginning of year		-		-
Fund balance at end of year	\$	-		-

CITY OF DILLINGHAM, ALASKA
 Enhanced 911 Service Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	(Negative)
Revenues:			
E911 revenue	\$ 15,140	15,725	585
Investment income	-	155	155
Total revenues	15,140	15,880	740
 Other financing sources - transfers in	44,800	44,799	(1)
 Net change in fund balance	\$ 59,940	60,679	739
 Fund balance at beginning of year		-	
 Fund balance at end of year		\$ 60,679	

CITY OF DILLINGHAM, ALASKA
Asset Forfeiture Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	<u>2008</u>		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Federal government	\$ 54,018	29,057	(24,961)
Investment income	-	179	179
Other	<u>12,294</u>	<u>6,613</u>	<u>(5,681)</u>
Total revenues	<u>66,312</u>	<u>35,849</u>	<u>(30,463)</u>
Expenditures:			
Asset forfeitures	5,975	5,963	12
Vehicle maintenance	<u>25</u>	<u>25</u>	<u>-</u>
Total expenditures	<u>6,000</u>	<u>5,988</u>	<u>12</u>
Excess of revenues over expenditures	60,312	29,861	(30,451)
Other financing sources - transfers in	<u>56,400</u>	<u>56,340</u>	<u>(60)</u>
Net change in fund balance	\$ <u>116,712</u>	86,201	<u>(30,511)</u>
Fund balance at beginning of year		<u>-</u>	
Fund balance at end of year		\$ <u>86,201</u>	

CITY OF DILLINGHAM, ALASKA
Senior Citizen Center Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>		Variance	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	<u>Actual</u>
Revenues:				
Games and raffles - gross receipts - pulltabs	\$ 740,000	427,798	(312,202)	746,023
Prizes, awards and other payouts	<u>(592,000)</u>	<u>(384,980)</u>	<u>207,020</u>	<u>(604,013)</u>
Net games and raffles	148,000	42,818	(105,182)	142,010
Lease and rental income	23,000	4,222	(18,778)	24,235
Investment income	22,000	27,321	5,321	23,455
State PERS relief	-	4,365	4,365	9,727
Other	22,950	32,420	9,470	20,906
Intergovernmental:				
Nutrition, transportation and support services	153,608	153,608	-	155,528
Fire suppression grant	-	-	-	26,522
USDA	<u>4,200</u>	<u>3,746</u>	<u>(454)</u>	<u>3,652</u>
Total revenues	<u>373,758</u>	<u>268,500</u>	<u>(105,258)</u>	<u>406,035</u>
Expenditures:				
Games and activities:				
Utilities	7,163	7,163	-	8,109
Supplies	248	248	-	1,111
Minor tools and equipment	136	136	-	774
Building and equipment repairs	631	590	41	2,398
Inspections	<u>-</u>	<u>-</u>	<u>-</u>	<u>335</u>
Total games and activities	<u>8,178</u>	<u>8,137</u>	<u>41</u>	<u>12,727</u>
Potato House:				
Salaries	37,438	37,438	-	53,345
Employee benefits	25,232	25,232	-	26,353
Fees, permits and taxes	6,700	4,816	1,884	5,982
Advertising	108	108	-	-
Professional services	11,176	11,176	-	-
Utilities and telephone	8,818	6,040	2,778	6,947
Supplies	13,828	13,128	700	15,569
Concessions	500	452	48	113
Building and minor tools and equipment	1,754	656	1,098	771
Insurance	<u>2,670</u>	<u>2,666</u>	<u>4</u>	<u>3,364</u>
Total Potato House	<u>108,224</u>	<u>101,712</u>	<u>6,512</u>	<u>112,444</u>

CITY OF DILLINGHAM, ALASKA
 Senior Citizen Center Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	2008		Variance	2007
	Budget	Actual	Positive (Negative)	Actual
Expenditures, continued:				
Nutrition, transportation, and support services:				
Salaries	\$ 109,787	109,786	1	96,036
Overtime salaries	26	26	-	-
Employee benefits	74,414	74,414	-	55,438
Advertising	81	81	-	-
Utilities and telephone	38,471	38,471	-	35,903
Supplies	60,287	60,287	-	50,682
Insurance	8,659	8,659	-	7,608
Administrative overhead	17,700	19,601	(1,901)	22,651
Building and equipment repairs	9,450	9,450	-	4,931
Total nutrition, transportation, and support services	318,875	320,775	(1,900)	273,249
Senior center - operations:				
Salaries	40,486	40,486	-	17,947
Overtime salaries	9	9	-	-
Employee benefits	29,369	29,369	-	20,328
Travel	790	790	-	1,230
Administrative overhead	67,600	74,859	(7,259)	52,852
Training	299	299	-	-
Building and equipment repairs	2,500	2,500	-	15,855
Total senior center - operations	141,053	148,312	(7,259)	108,212
Total expenditures	576,330	578,936	(2,606)	506,632
Excess of revenues over (under) expenditures	(202,572)	(310,436)	(107,864)	(100,597)
Other financing sources - transfers in	176,522	287,441	110,919	45,844
Net change in fund balance	\$ (26,050)	(22,995)	3,055	(54,753)
Fund balance at beginning of year		22,995		77,748
Fund balance at end of year	\$	-		22,995

CITY OF DILLINGHAM, ALASKA
 Homeland Security Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance (Deficit)
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
	<u>Actual</u>	<u>Actual</u>
Revenues - federal government	\$ <u>24,329</u>	<u>15,133</u>
Expenditures - public safety:		
Salaries	2,592	2,248
Employee benefits	224	208
Pre-disaster mitigation planning and training	5,208	-
Communication equipment	<u>18,749</u>	<u>6,243</u>
Total expenditures	<u>26,773</u>	<u>8,699</u>
Excess of revenues over (under) expenditures	(2,444)	6,434
Other financing sources (uses):		
Transfers in	2,444	15,420
Transfers out	<u>-</u>	<u>(432)</u>
Net other financing sources (uses)	<u>2,444</u>	<u>14,988</u>
Net change in fund balance	-	21,422
Fund balance (deficit) at beginning of year	<u>-</u>	<u>(21,422)</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>

Capital Project Funds

Capital Project Funds are used to account for the acquisition and construction of major capital facilities. These funds evolved from the need for special accounting for grants and contributions for the acquisition or construction of capital assets.

Capital Project Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain capital related purpose are used only for that purpose and further enables them to report to granting agencies that their requirements regarding the use of the proceeds were satisfied. The City's Capital Project Funds are as follows:

Dock and Harbor – this fund accounts for various projects involving the dock and harbor facilities.

Water and Sewer – this fund accounts for various improvement projects to the water and sewer system.

School Bonds – this fund accounts for use of bond generated funds for the various repairs and replacements at the School District facilities.

School Repairs – this fund accounts for various repairs and replacements at the School District facilities.

Senior Citizen Center - this fund accounts for the repairs and preservation projects involving the senior citizen facilities.

Equipment Replacement – this fund is used to accumulate funds to purchase capital assets.

Ambulance Reserve – this fund is used to accumulate funds to purchase a new ambulance.

Landfill – this fund accounts for the construction of the new landfill and closure of the existing landfill.

CITY OF DILLINGHAM, ALASKA
 Dock and Harbor Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
Federal government	\$ (5,362)	28,911
Other	<u>75,509</u>	<u>20,769</u>
Total revenues	<u>70,147</u>	<u>49,680</u>
Expenditures:		
All-tides dock	(4,000)	16,962
Boat harbor ramps	5,019	41,538
Wood River boat launch land	<u>73,000</u>	<u>153,265</u>
Total expenditures	<u>74,019</u>	<u>211,765</u>
Excess of revenues over (under) expenditures	(3,872)	(162,085)
Other financing sources - transfers in	<u>3,872</u>	<u>162,085</u>
Net change in fund balance	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>

CITY OF DILLINGHAM, ALASKA
 Water and Sewer Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
State of Alaska	\$ 17,993	38,435
Federal government	<u>97,844</u>	<u>47,016</u>
Total revenues	<u>115,837</u>	<u>85,451</u>
Expenditures:		
Water treatment plant	(76,684)	161,739
Standpipe	<u>115,593</u>	<u>42,817</u>
Total expenditures	<u>38,909</u>	<u>204,556</u>
Excess of revenues over (under) expenditures	76,928	(119,105)
Other financing sources (uses):		
Transfers in	34,678	127,134
Transfers out	<u>(111,606)</u>	<u>-</u>
Net other financing sources (uses)	<u>(76,928)</u>	<u>127,134</u>
Net change in fund balance	-	8,029
Fund balance (deficit) at beginning of year	<u>-</u>	<u>(8,029)</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>

CITY OF DILLINGHAM, ALASKA
School Bonds Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2008

	<u>2008</u>
Revenues:	
Investment income	\$ 66,626
Other	<u>325</u>
Total revenues	<u>66,951</u>
Expenditures:	
Bond issuance costs	288,211
School roof	<u>75,036</u>
Total expenditures	<u>363,247</u>
Excess of revenues over (under) expenditures	(296,296)
Other financing sources:	
Bond issuance - par value	15,105,000
Premium on bond issuance	<u>345,686</u>
Total other financing sources	<u>15,450,686</u>
Net change in fund balance	15,154,390
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u>15,154,390</u>

CITY OF DILLINGHAM, ALASKA
School Repairs Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
State of Alaska	\$ 367,816	311,306
Other	-	<u>437,800</u>
Total revenues	<u>367,816</u>	<u>749,106</u>
Expenditures:		
School repairs	41,885	225,059
School fire suppression	-	141,623
School fire alarm sprinkler system	325,931	-
Gym roof repair	-	<u>437,800</u>
Total expenditures	<u>367,816</u>	<u>804,482</u>
Excess of revenues over (under) expenditures	-	(55,376)
Other financing sources - transfers in	-	<u>13,395</u>
Net change in fund balance	-	(41,981)
Fund balance at beginning of year	-	<u>41,981</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>

CITY OF DILLINGHAM, ALASKA
Senior Center Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2008

	<u>2008</u>
Revenues - federal government	\$ 16,174
Expenditures- renovation and preservation	<u>17,553</u>
Excess of revenues over (under) expenditures	(1,379)
Other financing sources - transfers in	<u>1,379</u>
Net change in fund balance	-
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u>-</u>

CITY OF DILLINGHAM, ALASKA
 Equipment Replacement Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues - investment income	\$ <u>382</u>	<u>714</u>
Other financing sources (uses):		
Transfers in	55,000	7,500
Transfers out	<u>-</u>	<u>(22,500)</u>
Net other financing sources (uses)	<u>55,000</u>	<u>(15,000)</u>
Net change in fund balance	55,382	(14,286)
Fund balance at beginning of year	<u>19,683</u>	<u>33,969</u>
Fund balance at end of year	\$ <u>75,065</u>	<u>19,683</u>

CITY OF DILLINGHAM, ALASKA
Ambulance Reserve Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues - investment income	\$ <u>3,693</u>	<u>3,146</u>
Other financing sources - transfers in	<u>72,523</u>	<u>79,082</u>
Net change in fund balance	76,216	82,228
Fund balance at beginning of year	<u>228,058</u>	<u>145,830</u>
Fund balance at end of year	\$ <u>304,274</u>	<u>228,058</u>

CITY OF DILLINGHAM, ALASKA
Landfill Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
State of Alaska	\$ 198,390	28,578
Investment income	<u>4,457</u>	<u>6,762</u>
Total revenues	<u>202,847</u>	<u>35,340</u>
Expenditures:		
New landfill	216,507	40,826
Landfill closure costs	<u>66,909</u>	<u>-</u>
Total expenditures	<u>283,416</u>	<u>40,826</u>
Excess of revenues over (under) expenditures	(80,569)	(5,486)
Other financing sources - transfers in	<u>-</u>	<u>22,500</u>
Net change in fund balance	(80,569)	17,014
Fund balance at beginning of year	<u>360,954</u>	<u>343,940</u>
Fund balance at end of year	\$ <u>280,385</u>	<u>360,954</u>

Permanent Fund

Permanent funds are legally restricted to the extent that only earnings and not principal may be used for purposes that support the City's programs.

Mary Carlson Estate Permanent Fund – this fund was established to account for assets bequeathed by Mary Carlson to be used for museum and literary purposes.

CITY OF DILLINGHAM, ALASKA
Mary Carlson Estate Permanent Fund
Balance Sheet
June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and investments	\$ <u>398,024</u>	<u>380,847</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	51	79
Fund balance - reserved for museum and literary purposes	<u>397,973</u>	<u>380,768</u>
Total liabilities and fund balance	\$ <u>398,024</u>	<u>380,847</u>

CITY OF DILLINGHAM, ALASKA
Mary Carlson Estate Permanent Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues - investment income	\$ <u>24,912</u>	<u>7,566</u>
Expenditures - community services:		
Utilities	3,355	4,919
Building repairs	2,189	1,518
Insurance	675	1,982
Miscellaneous expense	<u>1,488</u>	<u>-</u>
Total expenditures	<u>7,707</u>	<u>8,419</u>
Net change in fund balance	17,205	(853)
Fund balance at beginning of year	<u>380,768</u>	<u>381,621</u>
Fund balance at end of year	\$ <u>397,973</u>	<u>380,768</u>

CITY OF DILLINGHAM, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2008

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>July 1, 2007 Receivable (Deferred)</u>	<u>Federal Share of Expend- itures</u>	<u>Federal Receipts</u>	<u>June 30, 2008 Receivable (Deferred)</u>
DENALI COMMISSION							
Dillingham Small Boat Harbor Ramps	290-07	90.100	\$ 135,000	20,769	2,509	20,954	2,324
DEPARTMENT OF AGRICULTURE							
Passed through State of Alaska Department of Natural Resources - Volunteer Fire Assistance	-	10.664	2,000	-	2,000	2,000	-
Passed through State of Alaska Department of Environmental Conservation - Water System Improvement (75% Federal)	28304	10.760	360,700	30,536	(6,706)	31,155	(7,325)
Total Department of Agriculture				30,536	(4,706)	33,155	(7,325)
ENVIRONMENTAL PROTECTION AGENCY							
Passed through State of Alaska Department of Environmental Conservation - Water System Improvement (75% Federal)	28305	66.202	1,157,250	-	60,686	-	60,686
DEPARTMENT OF COMMERCE							
All Tides Dock	07-79-05381	11.307	3,000,000	124,637	(7,872)	-	116,765
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed through State of Alaska Department of Health and Social Services:							
Nutrition, Transportation and Support Services (85% Federal)	607-07-108	93.044/93.045	130,566	6,529	-	6,529	-
Nutrition, Transportation and Support Services (85% Federal)	607-08-108	93.044/93.045	130,566	-	130,566	124,036	6,530
Passed through Alaska Native Tribal Health Consortium - Water Treatment Plant	AN-05-NA7	93.ANTHC	665,000	-	43,864	-	43,864
Total Department of Health and Human Services				6,529	174,430	130,565	50,394
DEPARTMENT OF HOMELAND SECURITY							
Passed through State of Alaska Department of Military and Veteran Affairs:							
Pre-Disaster Mitigation Plan	05PDM 16.04.0002	97.017	7,515	1,653	5,580	7,233	-
Emergency Management Performance Grant	07EMPG-GR35567	97.042	12,304	2,814	4,807	7,621	-
Emergency Management Performance Grant	08EMPG-GR35569	97.042	12,500	-	5,605	-	5,605
State Homeland Security Grant Program	07SHSP-GR34054	97.073	18,749	-	18,749	18,749	-
Total Department of Homeland Security				4,467	34,741	33,603	5,605
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through State of Alaska Department of Commerce, Community and Economic Development - Community Development Block Grant	871356	14.228	16,174	-	16,174	16,174	-
DEPARTMENT OF THE INTERIOR							
Passed through State of Alaska Department of Commerce, Community and Economic Development:							
Refuge Revenue Sharing Act	-	15.226	454	-	454	454	-
Payment in Lieu of Taxes 07	-	15.226	254,236	-	254,236	254,236	-
Total Department of the Interior				-	254,690	254,690	-
DEPARTMENT OF JUSTICE							
Bulletproof Vest Partnership	7037381	16.607	925	-	562	562	-
Bulletproof Vest Partnership	6132808	16.607	195	-	195	195	-
Edward Byrne Justice Assistance Grant	2005-DJ-BX-0769	16.738	13,641	13,641	-	-	13,641
Asset Forfeiture	-	16.900	29,057	-	29,057	29,057	-
Total Department of Justice				13,641	29,814	29,814	13,641

CITY OF DILLINGHAM, ALASKA
 Schedule of Expenditures of Federal Awards, continued

<u>Federal Grant Title</u>	<u>Grant Number</u>	Catalog of Federal Domestic Assistance <u>Number</u>	Total Grant Award	July 1, 2007 Receivable (Deferred)	Federal Share of Expend- itures	Federal Receipts	June 30, 2008 Receivable (Deferred)
DEPARTMENT OF TRANSPORTATION							
Passed through State of Alaska Department of Transportation and Public Facilities:							
ASTEP Seatbelt Enforcement	402OP-08-04-03	20.600	\$ 4,947	-	1,735	963	772
ASTEP Seatbelt Enforcement	402PT07-06-01	20.600	3,420	1,900	-	1,900	-
ASTEP DUI Enforcement	154AL07-14-01	20.607	10,972	760	2,660	3,420	-
ASTEP DUI Enforcement	154AL08-00-01	20.607	12,593	-	4,663	3,818	845
Total Department of Transportation				<u>2,660</u>	<u>9,058</u>	<u>10,101</u>	<u>1,617</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Curyung Tribal Council -							
IMLS Library Grant	NG-05-06-0179-06	45.311	6,000	6,000	-	6,000	-
IMLS Library Grant	NG-05-07-0141-07	45.311	6,000	-	6,000	-	6,000
Total Institute of Museum and Library Services				<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Total Federal Financial Assistance				\$ <u>209,239</u>	<u>575,524</u>	<u>535,056</u>	<u>249,707</u>

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of City of Dillingham and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF DILLINGHAM, ALASKA
 Schedule of State Financial Assistance
 Year Ended June 30, 2008

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2007 Receivable</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2008 Receivable</u>
DEPARTMENT OF ADMINISTRATION						
* State PERS Relief	N/A	\$ 56,785	-	56,785	56,785	-
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT						
Public Library Assistance	PLA08-728-18	6,350	-	6,350	6,350	-
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT						
Fishery Landing Tax	N/A	1,215	-	1,215	1,215	-
Shared Fisheries Business Tax	N/A	26,490	-	26,490	26,490	-
Middle School Roof Replacement	05-DC-043	1,560,000	86,066	-	86,066	-
Elementary School Fire / Safety Upgrades	06-DC-106	200,000	141,623	-	141,623	-
* Dillingham School Emergency Fire Alarm Sprinkler System	08-DC-258	600,000	-	325,931	199,882	126,049
* Municipal Energy Assistance Program	N/A	187,607	-	187,607	187,607	-
Total Department of Commerce, Community and Economic Development			<u>227,689</u>	<u>541,243</u>	<u>642,883</u>	<u>126,049</u>
DEPARTMENT OF REVENUE						
* Fisheries Business Tax	N/A	183,743	-	183,743	183,743	-
* Electric and Telephone Co-op Tax	N/A	66,144	-	66,144	-	66,144
Liquor Licenses	N/A	4,600	-	4,600	2,100	2,500
Total Department of Revenue			<u>-</u>	<u>254,487</u>	<u>185,843</u>	<u>68,644</u>
DEPARTMENT OF ENVIRONMENTAL CONSERVATION						
* Landfill Project Phase III	28303	1,672,825	21,987	198,390	171,349	49,028
Water System Improvements Phase I (25% State)	28304	120,300	10,179	(2,236)	10,385	(2,442)
Water System Improvements Phase I (25% State)	28305	385,750	-	20,229	-	20,229
Total Department of Environmental Conservation			<u>32,166</u>	<u>216,383</u>	<u>181,734</u>	<u>66,815</u>
DEPARTMENT OF HEALTH AND SOCIAL SERVICES						
Nutrition, Transportation and Support Services (15% State)	607-07-108	23,042	1,152	-	1,152	-
Nutrition, Transportation and Support Services (15% State)	607-08-108	23,042	-	23,042	21,889	1,153
Rural Deferred Maintenance & Accessibility Improvements	06-3-C-4920	154,420	13,769	-	13,769	-
Total Department of Health and Social Services			<u>14,921</u>	<u>23,042</u>	<u>36,810</u>	<u>1,153</u>
Total State Financial Assistance		\$	<u>274,776</u>	<u>1,098,290</u>	<u>1,110,405</u>	<u>262,661</u>

* Major program

Basis of Presentation

The accompanying Schedule of State Financial Assistance includes the grant activity of City of Dillingham and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

SINGLE AUDIT SECTION

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 City Council
City of Dillingham, Alaska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dillingham, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Dillingham School District, a component unit of the reporting entity. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dillingham City School District, is based on the report of the other auditors.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Honorable Mayor and City Council
City of Dillingham, Alaska

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dillingham's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
February 23, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Dillingham, Alaska

Compliance

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

The City of Dillingham's basic financial statements include the operations of its component unit, the Dillingham City School District, which received federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2008. Our audit, described below, did not include the operations of the Dillingham City School District because it was subjected to a separate audit in accordance with OMB Circular A-133.

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

In our opinion, City of Dillingham complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Honorable Mayor and City Council
City of Dillingham, Alaska

Internal Control Over Compliance

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

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

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

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

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
February 23, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Dillingham, Alaska

Compliance

We have audited the compliance of City of Dillingham with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2008. City of Dillingham's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of Dillingham's management. Our responsibility is to express an opinion on City of Dillingham's compliance based on our audit.

The City of Dillingham's basic financial statements include the operations of its component unit, the Dillingham City School District, which received state awards which are not included in the Schedule of State Financial Assistance for the year ended June 30, 2008. Our audit, described below, did not include the operations of the Dillingham City School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Dillingham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Dillingham's compliance with those requirements.

In our opinion, City of Dillingham complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

Honorable Mayor and City Council
City of Dillingham, Alaska

Internal Control Over Compliance

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

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

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

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

This report is intended for the information and use of City of Dillingham's management, Honorable Mayor and City Council, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
February 23, 2009

CITY OF DILLINGHAM, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs?

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Department of the Interior	15.226	Payment in lieu of taxes

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

CITY OF DILLINGHAM, ALASKA

Schedule of Findings and Questioned Costs, continued

Summary of Auditor's Results, continued

State Financial Assistance, continued

Type of auditor's report issued on compliance
for major programs? Unqualified

Dollar threshold used to distinguish a state
major program? \$50,000

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

IV. State Award Findings and Questioned Costs

None noted.

CITY OF DILLINGHAM, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2008

Federal

There were no prior year audit findings.

State of Alaska

There were no prior year audit findings.

CITY OF DILLINGHAM, ALASKA

Corrective Action Plan

Year Ended June 30, 2008

There are no current year findings; therefore, no corrective action plan is required.