

**CITY OF DILLINGHAM, ALASKA**

**Basic Financial Statements, Supplementary  
Information, and Single Audit Reports**

**Year Ended June 30, 2010**

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# CITY OF DILLINGHAM, ALASKA

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## **FINANCIAL SECTION**

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## 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, 2010 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, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the General 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 December 28, 2010, 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  
December 28, 2010

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DILLINGHAM, ALASKA**  
**Statement of Net Assets**  
June 30, 2010

	<u>Primary Government</u>	<u>Component Unit</u>
<u>Assets</u>	<u>Governmental Activities</u>	<u>Dillingham City School District</u>
Cash and investments	\$ 4,600,894	1,762,525
Receivables, net	2,524,013	896,686
Inventory	-	27,820
Prepaid items	13,136	-
Restricted cash and investments	5,348,199	-
Bond issuance cost	259,389	-
Land and construction in progress	20,500,009	-
Other capital assets, net of accumulated depreciation	<u>17,643,501</u>	<u>291,323</u>
 Total assets	 \$ <u>50,889,141</u>	 <u>2,978,354</u>
 <u>Liabilities</u>		
Accounts payable	1,009,145	46,929
Accrued payroll and related liabilities	135,288	256,022
Due to student groups	-	123,480
Unearned revenue	65,477	61,791
Noncurrent liabilities:		
Due within one year:		
Accrued leave	146,732	-
Bonds	520,000	-
Landfill closure costs	4,000	-
Due in more than one year:		
Bonds	13,620,000	-
Unamortized bond premium	311,117	-
Landfill closure costs	<u>30,000</u>	<u>-</u>
Total liabilities	<u>15,841,759</u>	<u>488,222</u>
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	28,002,605	291,323
Restricted for museum and literary purposes	408,690	-
Unrestricted	<u>6,636,087</u>	<u>2,198,809</u>
Total net assets	<u>35,047,382</u>	<u>2,490,132</u>
 Total liabilities and net assets	 \$ <u>50,889,141</u>	 <u>2,978,354</u>

See accompanying notes to basic financial statements.

**CITY OF DILLINGHAM, ALASKA**  
**Statement of Activities**  
**Year Ended June 30, 2010**

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government Total Governmental Activities	Component Unit Dillingham City School District
Primary government:						
Governmental:						
General government	\$ 1,006,657	428,411	-	-	(578,246)	
Public safety	2,011,787	491,735	13,147	-	(1,506,905)	
Public works	1,097,303	-	70,863	-	(1,026,440)	
Community services	144,269	2,903	12,361	-	(129,005)	
Water and sewer	311,403	368,982	1,203	1,806,007	1,864,789	
Landfill	430,172	156,784	-	5,034	(268,354)	
Dock	749,662	637,898	-	659,681	547,917	
Boat harbor	189,292	114,116	-	-	(75,176)	
Senior citizen center	629,234	31,896	139,189	-	(458,149)	
Education	1,420,972	-	-	12,822	(1,408,150)	
Interest on long-term debt	666,060	-	-	-	(666,060)	
Total governmental activities	\$ <u>8,656,811</u>	<u>2,232,725</u>	<u>236,763</u>	<u>2,483,544</u>	<u>(3,703,779)</u>	
Component unit - school district - education	\$ <u>10,828,513</u>	<u>94,713</u>	<u>3,642,573</u>	<u>9,586</u>		<u>(7,081,641)</u>
General revenues:						
Taxes:						
Sales taxes				\$ 2,859,822	-	
Real and personal property taxes				1,885,143	-	
Payment in lieu of taxes				411,446	-	
Contributions from primary government				-	1,200,000	
Grants and entitlements not restricted to a specific purpose				1,477,517	5,301,448	
Investment income				83,685	1,812	
Other				137,241	257,179	
Total general revenues				<u>6,854,854</u>	<u>6,760,439</u>	
Change in net assets				3,151,075	(321,202)	
Net assets at beginning of year				<u>31,896,307</u>	<u>2,811,334</u>	
Net assets at end of year				\$ <u>35,047,382</u>	<u>2,490,132</u>	

See accompanying notes to basic financial statements.

**CITY OF DILLINGHAM, ALASKA**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2010

<u>Assets</u>	<u>Major Funds</u>				Total Govern- mental Funds
	<u>General</u>	<u>Water and Sewer Capital Project</u>	<u>School Bonds Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 2,134,162	-	-	2,466,732	4,600,894
Receivables, net of allowance for uncollectible accounts:					
Sales taxes	409,336	-	-	-	409,336
Real and personal property taxes	297,147	-	-	-	297,147
Accounts	7,573	-	-	327,831	335,404
Grants and shared revenues	80,641	1,265,665	-	135,820	1,482,126
Due from other funds	1,707,130	-	-	-	1,707,130
Prepaid items	13,136	-	-	-	13,136
Restricted cash and investments	-	-	5,309,499	38,700	5,348,199
 Total assets	 \$ <u>4,649,125</u>	<u>1,265,665</u>	<u>5,309,499</u>	<u>2,969,083</u>	<u>14,193,372</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	393,246	6,142	561,970	47,787	1,009,145
Accrued payroll and related liabilities	97,009	-	-	38,279	135,288
Due to other funds	-	1,167,781	437,317	102,032	1,707,130
Deferred revenue	347,893	-	-	14,731	362,624
Total liabilities	<u>838,148</u>	<u>1,173,923</u>	<u>999,287</u>	<u>202,829</u>	<u>3,214,187</u>
Fund balances:					
Reserved:					
Prepaid items	13,136	-	-	-	13,136
Museum and literary purposes	-	-	-	408,690	408,690
Capital projects	-	-	4,310,212	-	4,310,212
Unreserved, reported in:					
General Fund	3,797,841	-	-	-	3,797,841
Special revenue funds	-	-	-	1,596,024	1,596,024
Capital project funds	-	91,742	-	761,540	853,282
Total fund balances	<u>3,810,977</u>	<u>91,742</u>	<u>4,310,212</u>	<u>2,766,254</u>	<u>10,979,185</u>
 Total liabilities and fund balances	 \$ <u>4,649,125</u>	<u>1,265,665</u>	<u>5,309,499</u>	<u>2,969,083</u>	<u>14,193,372</u>

See accompanying notes to basic financial statements.

**CITY OF DILLINGHAM, ALASKA**  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2010

Total fund balances for governmental funds \$ 10,979,185

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	15,637,563	
Buildings	8,468,163	
Improvements other than buildings	18,971,758	
Machinery and equipment	<u>6,107,798</u>	
Total capital assets	54,047,728	
Less accumulated depreciation	<u>(15,904,218)</u>	
Total capital assets, net of accumulated depreciation		38,143,510

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. 259,389

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 real property taxes receivable. 297,147

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	(14,140,000)	
Unamortized bond premium	(311,117)	
Accrued leave	(146,732)	
Landfill closure costs	<u>(34,000)</u>	
Total long-term liabilities		<u>(14,631,849)</u>

Total net assets of governmental activities \$ 35,047,382

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, 2010**

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Water and Sewer Capital Project	School Bonds Capital Project		
Revenues:					
Taxes	\$ 5,132,095	-	-	-	5,132,095
State of Alaska	1,125,974	314,940	-	1,103,118	2,544,032
Federal government	90,021	1,443,707	-	346,166	1,879,894
Charges for services	372,795	-	-	1,221,573	1,594,368
Licenses and permits	14,287	-	-	-	14,287
Penalties and interest	-	-	-	6,753	6,753
Fines and forfeitures	22,187	-	-	-	22,187
Lease and rental income	9,201	-	-	49,112	58,313
Investment income	43,471	-	6,816	33,398	83,685
Other	27,521	47,360	-	397,454	472,335
Total revenues	<u>6,837,552</u>	<u>1,806,007</u>	<u>6,816</u>	<u>3,157,574</u>	<u>11,807,949</u>
Expenditures:					
Current:					
General government	1,404,543	-	-	-	1,404,543
Public safety	1,927,079	-	-	22,479	1,949,558
Public works	1,056,548	-	-	-	1,056,548
Community services	127,603	-	-	11,350	138,953
Water and sewer	-	-	-	440,890	440,890
Landfill	-	-	-	350,780	350,780
Dock	-	-	-	412,701	412,701
Boat harbor	-	-	-	194,789	194,789
Senior citizen center	-	-	-	490,778	490,778
Education - contribution to School District	1,300,000	-	-	-	1,300,000
Debt service:					
Principal	39,368	-	-	495,000	534,368
Interest	755	-	-	682,590	683,345
Capital outlay	-	1,820,573	7,326,502	681,347	9,828,422
Total expenditures	<u>5,855,896</u>	<u>1,820,573</u>	<u>7,326,502</u>	<u>3,782,704</u>	<u>18,785,675</u>
Excess of revenues over (under) expenditures	981,656	(14,566)	(7,319,686)	(625,130)	(6,977,726)
Other financing sources (uses):					
Transfers in	1,000	-	-	887,616	888,616
Transfers out	(873,300)	-	(6,816)	(8,500)	(888,616)
Net other financing sources (uses)	<u>(872,300)</u>	<u>-</u>	<u>(6,816)</u>	<u>879,116</u>	<u>-</u>
Net change in fund balances	109,356	(14,566)	(7,326,502)	253,986	(6,977,726)
Fund balances at beginning of year	3,701,621	106,308	11,636,714	2,512,268	17,956,911
Fund balances at end of year	\$ <u>3,810,977</u>	<u>91,742</u>	<u>4,310,212</u>	<u>2,766,254</u>	<u>10,979,185</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, 2010

Net change in fund balances - total governmental funds		\$ (6,977,726)
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 capital outlays (\$10,613,009) exceeded depreciation (\$1,035,725) in the current period.		9,552,905
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 increase in delinquent real property taxes receivable.		24,316
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.		(15,000)
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.		
Principal paid on capital leases	\$ 39,368	
Principal paid on bonds	495,000	
Amortized bond premium	17,285	
Amortized bond issuance costs	<u>(14,411)</u>	
		537,242
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of the decrease in accrued leave.		<u>29,338</u>
Change in net assets of governmental activities		\$ <u><u>3,151,075</u></u>

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, 2010

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,283,070	5,277,370	5,132,095	(145,275)
State of Alaska	995,363	994,363	1,125,974	131,611
Federal government	11,000	82,532	90,021	7,489
Charges for services	415,450	414,450	372,795	(41,655)
Licenses and permits	17,400	17,400	14,287	(3,113)
Fines and forfeitures	9,000	9,000	22,187	13,187
Lease and rental income	8,140	8,140	9,201	1,061
Investment income	70,000	70,000	43,471	(26,529)
Other	13,400	19,100	27,521	8,421
Total revenues	<u>6,822,823</u>	<u>6,892,355</u>	<u>6,837,552</u>	<u>(54,803)</u>
<b>Expenditures:</b>				
General government	1,463,380	1,499,239	1,404,543	94,696
Public safety	2,195,535	2,167,535	1,927,079	240,456
Public works	1,147,090	1,123,090	1,096,671	26,419
Community services	120,850	124,350	127,603	(3,253)
Education	1,300,000	1,300,000	1,300,000	-
Total expenditures	<u>6,226,855</u>	<u>6,214,214</u>	<u>5,855,896</u>	<u>358,318</u>
Excess of revenues over expenditures	595,968	678,141	981,656	303,515
<b>Other financing sources (uses):</b>				
Transfers in	1,000	1,000	1,000	-
Transfers out	(888,993)	(767,230)	(873,300)	(106,070)
Net other financing sources (uses)	<u>(887,993)</u>	<u>(766,230)</u>	<u>(872,300)</u>	<u>(106,070)</u>
Net change in fund balance	\$ <u>(292,025)</u>	<u>(88,089)</u>	109,356	<u>197,445</u>
Fund balances at July 1, 2009			<u>3,701,621</u>	
Fund balances at June 30, 2010		\$	<u><u>3,810,977</u></u>	

See accompanying notes to basic financial statements.

# CITY OF DILLINGHAM, ALASKA

## Notes to Basic Financial Statements

June 30, 2010

(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 taxes, 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 Water and Sewer Capital Project Fund accounts for various improvement projects to the water and sewer system.

The School Bonds Capital Project Fund accounts for use of bond generated funds for the various repairs and replacements at the School District 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	10-50 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.

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

## CITY OF DILLINGHAM, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### 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.

##### Pension Plan

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

## CITY OF DILLINGHAM, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### 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.

##### New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
- GASB 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*
- GASB 59 – *Financial Instruments Omnibus*

Of these statements, GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* will have a significant impact on the City's future financial reporting presentation. This statement will recategorize all existing fund balance classifications into five new categories:

- ✓ Nonspendable
- ✓ Restricted
- ✓ Committed
- ✓ Assigned
- ✓ Unassigned

The statement will require an analysis of all funds of the City to determine ongoing compliance with fund type categories as defined in the statement. GASB Statement 54 will be in effect for the City's financial statements for the year ended June 30, 2011.

Statements 57 through 59 are not expected to have any material impact on the financial statements.

#### (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, Permanent Fund, and capital project funds, which adopt project-length budgets. All annual appropriations lapse at the fiscal year-end.

**CITY OF DILLINGHAM, ALASKA**

Notes to Basic Financial Statements, continued

**Stewardship, Compliance and Accountability, continued**

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."

**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, 2010.

Bank deposits	\$ 48,445	Cash and investments	\$ 4,600,894
Investments	<u>9,900,648</u>	Restricted cash and investments	<u>5,348,199</u>
	\$ <u>9,949,093</u>		\$ <u>9,949,093</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.



## CITY OF DILLINGHAM, ALASKA

### Notes to Basic Financial Statements, continued

#### Cash and Investments, continued

#### Reconciliation of Deposit and Investment Balances, continued

#### *Investment Policy, continued*

3. 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.
4. Mutual funds that consist of similar investments as listed above.
5. 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.

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	\$ 3,365,839
U.S. government agencies	4,797,641
Certificates of deposit	1,235,516
Pooled investments	<u>501,652</u>
Total	<u>\$ 9,900,648</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.

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool and is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

**CITY OF DILLINGHAM, ALASKA**

Notes to Basic Financial Statements, continued

(4) **Capital Assets**

Capital asset activity for the year ended June 30, 2010 follows:

	Balance July 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2010</u>
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 4,862,446	-	-	4,862,446
Construction in progress	<u>5,808,902</u>	<u>9,828,661</u>	-	<u>15,637,563</u>
Total assets not being depreciated	<u>10,671,348</u>	<u>9,828,661</u>	-	<u>20,500,009</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,468,163	-	-	8,468,163
Improvements other than buildings	18,230,726	741,032	-	18,971,758
Machinery and equipment	<u>6,273,793</u>	<u>43,316</u>	<u>(209,311)</u>	<u>6,107,798</u>
Total assets being depreciated	<u>32,972,682</u>	<u>784,348</u>	<u>(209,311)</u>	<u>33,547,719</u>
Less accumulated depreciation for:				
Buildings	4,637,327	214,556	-	4,851,883
Improvements other than buildings	6,930,443	554,154	-	7,484,597
Machinery and equipment	<u>3,485,655</u>	<u>267,015</u>	<u>(184,932)</u>	<u>3,567,738</u>
Total accumulated depreciation	<u>15,053,425</u>	<u>1,035,725</u>	<u>(184,932)</u>	<u>15,904,218</u>
Total capital assets being depreciated, net	<u>17,919,257</u>	<u>(251,377)</u>	<u>(24,379)</u>	<u>17,643,501</u>
Governmental activity capital assets, net	\$ <u>28,590,605</u>	<u>9,577,284</u>	<u>(24,379)</u>	<u>38,143,510</u>

Depreciation expense was charged to the functions as follows:

General government	\$ 48,880
Public safety	90,450
Public works	41,879
Community services	12,577
Water and sewer	163,305
Boat harbor	70,225
Dock	344,793
Senior citizen center	22,409
Landfill	134,647
Education	<u>106,560</u>
Total depreciation expense	\$ <u>1,035,725</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

A schedule of interfund balances and transfers for the year ended June 30, 2010, follows:

***Due from other funds:***

Due to the General Fund from:	
Water and Sewer Capital Project Fund for advances to cover capital costs	\$ 1,167,781
School Bonds Capital Project Fund for advances to cover capital costs	437,317
Nonmajor governmental funds for advances to cover operating and capital costs	<u>102,032</u>
Total amount due from other funds	\$ <u>1,707,130</u>

***Transfers:***

From General Fund to:	
Debt Service Fund for debt service	\$ 246,454
Nonmajor governmental funds to cover operating costs	552,934
Nonmajor governmental funds for capital costs	50,000
Nonmajor governmental funds for reserve for capital projects	<u>23,912</u>
Total transfers from General Fund	873,300
From School Bonds Capital Project Fund to Debt Service Fund for debt service	6,816
From nonmajor governmental fund to General Fund for operating costs	1,000
From nonmajor governmental funds to other nonmajor governmental funds for future landfill closure	<u>7,500</u>
Total transfers to other funds	\$ <u>888,616</u>

(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 were issued at a premium of \$345,686.

The following is a summary of long-term debt transactions for the year ended June 30, 2010:

**CITY OF DILLINGHAM, ALASKA**

Notes to Basic Financial Statements, continued

**Long-Term Debt, continued**

	Balance July 1, <u>2009</u>	<u>Additions</u>	<u>Retired</u>	Balance June 30, <u>2010</u>	Due Within <u>One Year</u>
\$15,105,000 2008 Series One General Obligation School Bonds, due in annual install- ments of \$520,000 to \$1,120,000, plus interest at 4.0% to 5.0% through April 1, 2028	\$ 14,635,000	-	495,000	14,140,000	520,000
\$181,500 street sweeper lease, due in monthly installments of \$3,355 including interest at 4.15% through 2010	39,368	-	39,368	-	-
Accrued leave (net)	176,070	150,037	179,375	146,732	146,732
Estimated landfill closure costs	<u>19,000</u>	<u>15,000</u>	<u>-</u>	<u>34,000</u>	<u>4,000</u>
Total long-term debt	14,869,438	<u>165,037</u>	<u>713,743</u>	14,320,732	<u>670,732</u>
Add unamortized bond premium	<u>328,402</u>			<u>311,117</u>	
	<u>\$ 15,197,840</u>			<u>14,631,849</u>	

Other long-term liabilities such as accrued leave are generally liquidated by the General Fund.

The annual requirements to amortize the general obligation bonds outstanding at June 30, 2010 are as follows:

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	600,000	576,090	1,176,090
2015	630,000	546,090	1,176,090
2016-2020	3,615,000	2,268,550	5,883,550
2021-2025	4,450,000	1,433,263	5,883,263
2026-2028	<u>3,210,000</u>	<u>324,980</u>	<u>3,534,980</u>
	<u>\$ 14,140,000</u>	<u>7,043,243</u>	<u>21,183,243</u>

## CITY OF DILLINGHAM, ALASKA

### Notes to Basic Financial Statements, continued

(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.

Landfill cell one is essentially closed. The only thing left to do to close this cell is to hydroseed. The estimated cost is \$4,000. The City began using cell two in FY 2009. The cell has an estimated life of 10 years and the estimated closing cost for cell two is \$150,000. The \$34,000 (an increase of \$15,000) reported as landfill closure costs payable at June 30, 2010 represents the cumulative amount reported to date based on the expected usage. The City will recognize the remaining estimated cost of closure and post closure care of \$120,000 as the remaining expected usage is filled. These amounts are based on what it will cost to perform all closure and post closure care in 2010. Actual costs may be higher due to inflation changes in technology or changes in regulations.

(8) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The plan was established and is administered by the State of Alaska Department of Administration 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

**Conversion to Cost Sharing**

In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. 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 are recognized by each employer as an on-behalf payment.

## CITY OF DILLINGHAM, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Benefit Pension Plan, continued**

##### **Conversion to Cost Sharing, continued**

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 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.

##### **Funding Policy**

Regular employees are required to contribute 6.75% of their annual covered salary (2.5% for pension and 4.25% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.78% for pension and 4.72% 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 assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%, however, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate.

The City's contribution rates for 2010 were determined as part of the June 30, 2007 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 45* <u>Rate</u>
Pension	8.16%	10.25%	10.72%
Postemployment healthcare	<u>13.84%</u>	<u>17.40%</u>	<u>53.96%</u>
Total contribution rate	<u>22.00%</u>	<u>27.65%</u>	<u>64.68%</u>

\* This rate uses a 4.5% OPEB discount rate and disregards all future Medicare Part D payments.

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.

**CITY OF DILLINGHAM, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

**Funding Policy, continued**

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.

**Annual Pension and Postemployment Healthcare Cost**

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 5.65% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf payment in the amount of \$129,521 as revenue and expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here. Only two years of information are available at this time.

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contributions</u>	<u>% of TBC Contributed</u>
2010	\$152,529	\$258,700	\$411,229	\$411,229	100%
2009	\$122,644	\$272,983	\$395,627	\$395,627	100%

**(8) 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, 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:

**CITY OF DILLINGHAM, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Contribution Pension Plan, continued**

	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.99	0.99
Occupational death and disability benefits	<u>0.58</u>	<u>1.33</u>
	<u>9.57 %</u>	<u>10.32%</u>

\*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average 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.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2010 were \$102,804 and \$85,237, 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.



## CITY OF DILLINGHAM, ALASKA

### Notes to Basic Financial Statements, continued

#### **Risk Management, continued**

The Association made no supplemental assessments during the year ended June 30, 2010. 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, 2010 was \$850,820. 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.

#### (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.

#### (14) **Subsequent Events**

The City obtained a promissory note on July 2, 2010, in the amount of \$1,000,000. The loan was obtained to provide working capital for construction projects. The note requires monthly payments of accrued interest beginning August 3, 2010 and matures on January 3, 2011.

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**SUPPLEMENTARY INFORMATION**

**CITY OF DILLINGHAM, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2010

Assets	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	Senior Citizen Center	Home-land Security	Debt Service Fund	Dock and Harbor	Equip-ment Replace-ment			Ambulance Reserve	Landfill
Cash and investments	\$ 139,350	2,304	1,060,949	50	92,155	56,680	9,735	-	-	-	219,414	399,487	77,424	409,184	2,466,732
Receivables:															
Accounts	57,419	16,430	256,512	37,511	-	-	300	-	-	-	-	-	-	-	368,172
Grants	-	-	-	-	-	-	6,681	-	8,241	71,078	-	-	49,820	-	135,820
Allowance for uncollectible accounts	(27,349)	(661)	(2,578)	(9,347)	-	-	(406)	-	-	-	-	-	-	-	(40,341)
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	38,700	-	38,700
<b>Total assets</b>	<b>\$ 169,420</b>	<b>18,073</b>	<b>1,314,883</b>	<b>28,214</b>	<b>92,155</b>	<b>56,680</b>	<b>16,310</b>	<b>-</b>	<b>8,241</b>	<b>71,078</b>	<b>219,414</b>	<b>399,487</b>	<b>165,944</b>	<b>409,184</b>	<b>2,969,083</b>
<b>Liabilities and Fund Balances</b>															
<b>Liabilities:</b>															
Accounts payable	7,700	8,882	6,219	5,612	-	-	8,022	8,573	-	2,285	-	-	-	494	47,787
Accrued payroll and related liabilities	3,008	9,191	11,285	6,178	-	-	8,617	-	-	-	-	-	-	-	38,279
Due to other funds	-	-	-	16,424	-	-	-	-	8,241	77,367	-	-	-	-	102,032
Deferred revenue	-	-	-	-	-	-	-	-	-	14,731	-	-	-	-	14,731
<b>Total liabilities</b>	<b>10,708</b>	<b>18,073</b>	<b>17,504</b>	<b>28,214</b>	<b>-</b>	<b>-</b>	<b>16,639</b>	<b>8,573</b>	<b>8,241</b>	<b>94,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>494</b>	<b>202,829</b>
<b>Fund balances:</b>															
Reserved for museum and literary purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	408,690	408,690
Unreserved:															
Designated:															
Capital projects	-	-	-	-	-	-	-	-	-	-	66,414	399,487	165,944	-	631,845
Subsequent year's expenditures	22,504	-	-	-	45,000	-	-	-	-	-	153,000	-	-	-	220,504
Undesignated	136,208	-	1,297,379	-	47,155	56,680	(329)	(8,573)	-	(23,305)	-	-	-	-	1,505,215
<b>Total fund balances (deficits)</b>	<b>158,712</b>	<b>-</b>	<b>1,297,379</b>	<b>-</b>	<b>92,155</b>	<b>56,680</b>	<b>(329)</b>	<b>(8,573)</b>	<b>-</b>	<b>(23,305)</b>	<b>219,414</b>	<b>399,487</b>	<b>165,944</b>	<b>408,690</b>	<b>2,766,254</b>
<b>Total liabilities and fund balances</b>	<b>\$ 169,420</b>	<b>18,073</b>	<b>1,314,883</b>	<b>28,214</b>	<b>92,155</b>	<b>56,680</b>	<b>16,310</b>	<b>-</b>	<b>8,241</b>	<b>71,078</b>	<b>219,414</b>	<b>399,487</b>	<b>165,944</b>	<b>409,184</b>	<b>2,969,083</b>



### **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, 2010  
 (With Comparative Amounts for 2009)

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 2,134,162	2,634,431
Receivables:		
Sales taxes	409,336	399,359
Real property taxes, penalties and interest	297,147	272,831
Personal property taxes, penalties and interest	273,710	215,844
Allowance for uncollectible personal property taxes	(273,710)	(215,844)
Accounts	144,563	281,745
Allowance for uncollectible accounts	(136,990)	(248,535)
Grants and shared revenues	80,641	82,164
Due from other funds	1,707,130	796,523
Prepaid items	<u>13,136</u>	<u>5,777</u>
 Total assets	 \$ <u>4,649,125</u>	 <u>4,224,295</u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities:		
Accounts payable	393,246	78,077
Accrued payroll and related liabilities	97,009	95,088
Deferred revenue:		
Property taxes	297,147	272,831
Other	<u>50,746</u>	<u>76,678</u>
Total liabilities	<u>838,148</u>	<u>522,674</u>
 Fund balance:		
Reserved for prepaid items	13,136	5,777
Unreserved:		
Designated for subsequent year's expenditures	91,639	292,025
Undesignated	<u>3,706,202</u>	<u>3,403,819</u>
Total fund balance	<u>3,810,977</u>	<u>3,701,621</u>
 Total liabilities and fund balance	 \$ <u>4,649,125</u>	 <u>4,224,295</u>

**CITY OF DILLINGHAM, ALASKA**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
Sales taxes	\$ 2,470,000	2,483,948	13,948	2,464,159
Alcohol sales taxes	238,000	219,300	(18,700)	266,799
Transient lodging sales tax	60,000	67,495	7,495	59,156
Real property taxes	1,480,600	1,426,238	(54,362)	1,457,723
Personal property taxes	480,770	406,345	(74,425)	395,179
Penalty and interest on property taxes	30,000	28,244	(1,756)	51,179
Penalty and interest on sales taxes	22,000	8,839	(13,161)	15,694
Gaming taxes	87,000	80,240	(6,760)	72,111
Payment in lieu of taxes	409,000	411,446	2,446	409,714
Small claim costs	-	-	-	1,824
Total taxes	<u>5,277,370</u>	<u>5,132,095</u>	<u>(145,275)</u>	<u>5,193,538</u>
<b>State of Alaska:</b>				
Jail contract revenue	428,963	428,963	-	428,963
Revenue sharing	217,000	215,730	(1,270)	219,942
Raw fish tax	176,000	187,259	11,259	176,261
Shared fisheries business tax	28,450	33,524	5,074	35,515
Electric and telephone co-op tax	66,000	75,300	9,300	72,727
Motor vehicle tax	27,000	20,028	(6,972)	18,663
PERS relief	-	106,308	106,308	234,845
DMV commission revenue	40,000	40,439	439	41,426
Jail capital grant	-	8,573	8,573	-
Training assistant grant	-	2,000	2,000	-
Liquor licenses	4,600	1,500	(3,100)	4,600
Library grant	6,350	6,350	-	6,350
Total State of Alaska	<u>994,363</u>	<u>1,125,974</u>	<u>131,611</u>	<u>1,239,292</u>
<b>Federal government:</b>				
Emergency management planning grant	5,000	8,350	3,350	6,914
Volunteer fire assistance	-	1,094	1,094	5,850
Public safety grants	1,000	3,703	2,703	2,504
Library grants	6,000	6,011	11	4,022
FEMA grants	-	-	-	1,189
Heating fuel grant	70,532	70,532	-	-
Planning grants	-	331	331	1,282
Total federal government	<u>82,532</u>	<u>90,021</u>	<u>7,489</u>	<u>21,761</u>



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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Charges for services:				
Administrative overhead charges	\$ 356,400	345,121	(11,279)	317,697
Document copies	550	106	(444)	367
Platting and mapping fees	1,500	766	(734)	550
Ambulance fees	<u>56,000</u>	<u>26,802</u>	<u>(29,198)</u>	<u>22,879</u>
Total charges for services	<u>414,450</u>	<u>372,795</u>	<u>(41,655)</u>	<u>341,493</u>
Licenses and permits:				
Dog licenses	3,000	1,537	(1,463)	1,707
Business licenses	14,100	11,800	(2,300)	13,225
Land use permits	<u>300</u>	<u>950</u>	<u>650</u>	<u>525</u>
Total licenses and permits	<u>17,400</u>	<u>14,287</u>	<u>(3,113)</u>	<u>15,457</u>
Fines and forfeitures:				
Title 47 fines	6,000	19,284	13,284	6,110
Library fines and donations	3,000	2,903	(97)	3,380
Library co-op	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total fines and forfeitures	<u>9,000</u>	<u>22,187</u>	<u>13,187</u>	<u>14,490</u>
Lease and rental income	<u>8,140</u>	<u>9,201</u>	<u>1,061</u>	<u>9,426</u>
Investment income	<u>70,000</u>	<u>43,471</u>	<u>(26,529)</u>	<u>41,522</u>
Other revenues:				
Other library grants/donation	8,100	7,530	(570)	25
Equipment sales	-	-	-	3,200
Other	<u>11,000</u>	<u>19,991</u>	<u>8,991</u>	<u>23,765</u>
Total other revenues	<u>19,100</u>	<u>27,521</u>	<u>8,421</u>	<u>26,990</u>
Total revenues	<u>6,892,355</u>	<u>6,837,552</u>	<u>(54,803)</u>	<u>6,903,969</u>
Expenditures:				
General government:				
City council:				
Council contributions	17,500	16,614	886	6,819
Travel	5,000	3,036	1,964	5,779
Subscriptions and memberships	5,100	2,943	2,157	5,183

## CITY OF DILLINGHAM, ALASKA

## General Fund

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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
City council, continued:				
Supplies	\$ 500	186	314	313
Telephone	100	-	100	123
Contract labor	77,265	64,599	12,666	7,404
Training	1,000	691	309	-
Minor tools and equipment	200	-	200	145
Lobbying	<u>20,400</u>	<u>20,250</u>	<u>150</u>	<u>20,000</u>
Total city council	<u>127,065</u>	<u>108,319</u>	<u>18,746</u>	<u>45,766</u>
City administration:				
Salaries	145,000	144,254	746	141,898
Overtime salaries	5,400	5,320	80	4,294
Employee benefits	67,000	74,960	(7,960)	69,356
Travel	4,000	3,992	8	2,920
Subscriptions and memberships	1,200	1,062	138	695
Supplies	4,000	3,824	176	2,577
Contract labor	20,000	2,857	17,143	40,295
Special project manager	40,000	33,969	6,031	18,614
Training	1,350	1,085	265	925
Minor tools and equipment	5,000	4,935	65	2,243
Major equipment	10,000	3,159	6,841	10,162
Advertising	<u>1,000</u>	<u>807</u>	<u>193</u>	<u>2,501</u>
Total city administration	<u>303,950</u>	<u>280,224</u>	<u>23,726</u>	<u>296,480</u>
City clerk:				
Salaries	49,650	44,695	4,955	56,136
Employee benefits	22,500	20,598	1,902	24,347
Advertising	8,500	7,827	673	1,362
Travel	2,000	1,871	129	1,555
Subscriptions and memberships	450	265	185	230
Supplies	2,000	1,354	646	1,680
Training	800	635	165	148
Contract labor	6,000	2,668	3,332	2,500
Minor tools and equipment	1,200	416	784	881
Elections	3,100	1,550	1,550	3,538

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

	<u>2010</u>		Variance Positive (Negative)	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
City clerk, continued:				
Appraisal	\$ 15,000	12,000	3,000	14,017
Codification	1,500	993	507	4,069
Title search	1,500	-	1,500	-
Foreclosure	2,000	300	1,700	-
Total city clerk	<u>116,200</u>	<u>95,172</u>	<u>21,028</u>	<u>110,463</u>
Finance:				
Salaries	305,100	281,802	23,298	289,502
Overtime salaries	6,000	5,306	694	3,883
Employee benefits	175,900	188,388	(12,488)	182,192
Advertising	1,250	796	454	1,188
Travel	3,700	3,102	598	10,300
Subscriptions and memberships	1,500	1,457	43	1,302
Bank charges	2,750	2,730	20	2,030
Supplies	3,755	3,454	301	3,533
Cash over/under	525	(120)	645	98
Recruitment	1,000	-	1,000	-
Collection agency and lien processing fees	1,500	688	812	3,495
Training	1,800	1,786	14	953
Alaska FICA administrative program	150	134	16	128
Minor tools and equipment	5,000	4,432	568	7,024
Total finance	<u>509,930</u>	<u>493,955</u>	<u>15,975</u>	<u>505,628</u>
Legal	<u>30,000</u>	<u>39,396</u>	<u>(9,396)</u>	<u>34,736</u>
Insurance:				
General liability	70,316	62,723	7,593	66,827
Property	30,241	30,241	-	24,969
Automobile	20,237	20,237	-	18,729
Total insurance	<u>120,794</u>	<u>113,201</u>	<u>7,593</u>	<u>110,525</u>
Nondepartmental:				
Advertising	650	642	8	2,146
Office supplies	7,725	7,721	4	5,784
Food items	2,825	2,822	3	423
Postage	9,805	9,805	-	10,160

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

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures, continued:				
General government, continued:				
Nondepartmental, continued:				
Computer supplies	\$ 4,405	4,405	-	1,582
Computer software	1,775	1,760	15	3,385
Computer hardware	8,210	8,210	-	900
Computer support services	45,075	34,175	10,900	13,884
Telephone	17,680	17,674	6	16,470
Engineering	-	239	(239)	155
Technology plan	-	-	-	7,292
Accounting services and audit	33,500	33,485	15	31,297
Gas, oil and grease	875	821	54	809
Minor tools and equipment	800	740	60	548
Vehicle repairs	1,000	563	437	754
Copier repair and maintenance	10,000	9,802	198	9,188
Case loader lease	-	-	-	8,936
Credit card processing fees	29,500	31,321	(1,821)	42,049
Employee benefits - State PERS	-	-	-	234,845
Website development	-	-	-	1,869
Pulltab audit	-	-	-	9,834
Miscellaneous	225	222	3	-
Total nondepartmental	174,050	164,407	9,643	402,310
Planning:				
Salaries	56,000	55,926	74	52,854
Employee benefits	23,600	26,522	(2,922)	24,277
Advertising	2,100	2,059	41	1,493
Travel	3,300	3,209	91	3,942
Subscriptions and memberships	1,200	1,161	39	1,444
Recording fees	1,000	549	451	63
Supplies	2,350	2,141	209	969
Contract labor	18,500	10,346	8,154	3,850
Training	2,950	1,454	1,496	940
Neighborhood initiative	5,000	5,375	(375)	-
Minor tools and equipment	1,250	1,127	123	1,966
Total planning	117,250	109,869	7,381	91,798
Total general government	1,499,239	1,404,543	94,696	1,597,706

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

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures, continued:				
Public safety:				
Police dispatch:				
Salaries	\$ 171,850	171,266	584	171,445
Overtime salaries	44,155	43,916	239	44,270
Employee benefits	116,010	125,913	(9,903)	114,537
Trooper dispatch subsidy	(20,000)	(20,000)	-	-
Advertising	750	598	152	391
Travel	3,500	1,615	1,885	2,683
Subscriptions and memberships	100	-	100	-
Supplies	2,000	1,364	636	2,364
Postage	400	-	400	410
Telephone	8,750	8,528	222	6,822
Electricity	3,500	2,783	717	2,740
Water and sewer	300	274	26	274
Refuse collection	425	363	62	363
Heating fuel	4,000	2,552	1,448	4,731
Computer support services	6,250	4,289	1,961	3,884
APSIN contract	550	550	-	1,063
Uniforms	500	6	494	(300)
Training	4,000	740	3,260	255
Minor tools and equipment	3,000	2,957	43	1,482
Major equipment	5,000	3,000	2,000	-
Building repairs	10,000	9,282	718	800
Equipment repairs	1,500	683	817	606
Total police dispatch	366,540	360,679	5,861	358,820
Police department:				
Salaries	424,500	353,628	70,872	300,294
Overtime salaries	68,400	67,187	1,213	74,669
Employee benefits	227,765	215,937	11,828	197,417
Recruiting	25,000	19,475	5,525	4,352
Advertising	2,500	2,299	201	969
Travel	13,700	13,184	516	9,929
Subscriptions and memberships	400	225	175	327
Supplies	3,700	3,239	461	2,007
Postage	200	-	200	1,000
Computer support services	1,000	880	120	359

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

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures, continued:				
Public safety, continued:				
Police department, continued:				
Telephone	\$ 5,500	5,408	92	6,194
Electricity	4,500	3,883	617	3,823
Water and sewer	400	382	18	382
Refuse collection	550	507	43	507
Heating fuel	4,600	3,561	1,039	6,600
Investigations	2,000	1,023	977	5,353
Film development	500	39	461	-
Uniforms	4,000	2,786	1,214	2,979
Contract labor and towing	1,000	-	1,000	2,208
Training	3,500	3,230	270	655
Gas, oil and grease	20,000	19,360	640	17,766
Minor tools and equipment	7,000	6,848	152	2,783
Major equipment	7,600	6,121	1,479	-
Vehicle maintenance	35,360	26,975	8,385	10,648
Building repairs	13,125	11,017	2,108	1,286
Required inspections	600	489	111	-
Equipment repairs	7,500	4,549	2,951	474
Insurance	17,230	17,230	-	16,271
Total police department	902,130	789,462	112,668	669,252
Jail:				
Salaries	200,175	198,544	1,631	211,409
Overtime salaries	27,135	26,453	682	35,168
Employee benefits	106,975	115,930	(8,955)	131,241
Recruiting	250	145	105	164
Advertising	250	243	7	158
Travel	3,000	-	3,000	3,024
Subscriptions and memberships	250	-	250	-
Supplies	6,500	1,220	5,280	1,518
Postage	500	-	500	300
Telephone	2,000	1,798	202	1,645
Electricity	15,250	15,219	31	14,984
Water and sewer	1,500	1,497	3	1,497
Refuse collection	2,500	1,985	515	1,985

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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Jail, continued:				
Heating fuel	\$ 22,500	13,953	8,547	25,867
Uniforms	2,200	2,030	170	1,313
Training	1,500	-	1,500	1,375
Gas, oil and grease	300	130	170	217
Janitorial	1,000	966	34	1,485
Food	33,000	31,406	1,594	23,464
Minor tools and equipment	3,215	3,124	91	3,734
Major equipment	3,000	3,000	-	-
Vehicle maintenance	500	-	500	112
Building repairs	10,125	6,883	3,242	2,391
Required inspections	2,000	1,753	247	3,021
Equipment repairs	1,200	1,163	37	762
Insurance	8,400	8,330	70	9,720
Total jail	<u>455,225</u>	<u>435,772</u>	<u>19,453</u>	<u>476,554</u>
Department of motor vehicles:				
Salaries	46,000	45,936	64	45,415
Employee benefits	20,850	22,994	(2,144)	22,077
Supplies	300	-	300	280
Postage	-	(183)	183	(232)
Telephone	800	603	197	512
Electricity	600	560	40	553
Water and sewer	60	55	5	55
Refuse collection	100	73	27	73
Heating fuel	800	515	285	954
APSIN contract	550	513	37	-
Minor tools and equipment	1,875	1,800	75	25
Building repairs	3,375	-	3,375	-
Required inspections	30	-	30	-
Equipment repairs	300	217	83	-
Total department of motor vehicles	<u>75,640</u>	<u>73,083</u>	<u>2,557</u>	<u>69,712</u>

## CITY OF DILLINGHAM, ALASKA

## General Fund

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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Fire department:				
Salaries	\$ 71,550	53,061	18,489	46,431
Overtime salaries	500	440	60	-
Employee benefits	47,000	34,823	12,177	25,788
Worker's comp - volunteers	6,800	-	6,800	-
Advertising	700	670	30	-
Travel	9,000	8,008	992	2,188
Subscriptions and memberships	600	349	251	978
Supplies	3,600	1,607	1,993	3,400
Postage	1,300	1,172	128	629
Computer supplies and software	9,950	6,837	3,113	1,105
Telephone	5,000	4,509	491	4,109
Electricity	6,450	5,864	586	5,351
Water and sewer	1,100	1,010	90	1,010
Refuse collection	50	-	50	-
Heating fuel	20,500	20,008	492	21,275
EMS and fire supplies	9,000	2,699	6,301	7,027
Public education	400	41	359	200
Emergency management	-	-	-	(365)
Member recognition	5,500	4,102	1,398	3,499
Training	11,000	4,976	6,024	8,217
Gas, oil and grease	6,500	6,094	406	6,977
Janitorial	600	330	270	425
Sample testing	500	496	4	363
Medical tests	1,000	142	858	12
Minor tools and equipment	29,500	26,985	2,515	19,283
Major equipment	-	-	-	26,725
Fire department airport lease	550	550	-	529
Vehicle repairs	11,000	10,422	578	7,950
Building repairs	9,000	1,126	7,874	4,212
Required inspections	3,500	683	2,817	2,227
Equipment repairs	5,000	4,839	161	1,535
Volunteer fire equipment grant	-	-	-	6,773
Total fire department	<u>277,150</u>	<u>201,843</u>	<u>75,307</u>	<u>207,853</u>



## CITY OF DILLINGHAM, ALASKA

## General Fund

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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	\$ 40,775	27,672	13,103	33,525
Overtime salaries	3,550	1,643	1,907	4,364
Employee benefits	14,000	12,756	1,244	20,511
Travel	2,500	-	2,500	1,813
Supplies	1,525	1,126	399	243
Refuse collection	950	576	374	1,104
Uniforms	875	612	263	509
Contract services	2,000	1,895	105	-
Animal shelter expenditures	15,875	13,887	1,988	9,416
Training	1,100	255	845	600
Gas, oil and grease	1,900	436	1,464	4,065
Minor tools and equipment	1,300	1,288	12	455
Vehicle repairs	4,000	3,723	277	3,478
Equipment repairs	500	371	129	474
Total animal control	<u>90,850</u>	<u>66,240</u>	<u>24,610</u>	<u>80,557</u>
Total public safety	<u>2,167,535</u>	<u>1,927,079</u>	<u>240,456</u>	<u>1,862,748</u>
Public works:				
Administration:				
Salaries	66,310	66,387	(77)	36,123
Employee benefits	34,850	26,969	7,881	14,100
Advertising	1,000	754	246	1,380
Travel	1,500	826	674	2,106
Subscriptions and memberships	500	110	390	216
Supplies	2,750	2,560	190	1,816
Telephone	2,800	2,720	80	2,613
Gas, oil and grease	3,300	3,233	67	3,978
Minor tools and equipment	3,850	3,773	77	2,401
Vehicle repairs	2,700	2,405	295	609
Total administration	<u>119,560</u>	<u>109,737</u>	<u>9,823</u>	<u>65,342</u>

## CITY OF DILLINGHAM, ALASKA

## General Fund

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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Building and grounds maintenance:				
Salaries	\$ 76,185	76,174	11	62,718
Overtime salaries	3,100	3,092	8	5,266
Employee benefits	49,500	57,530	(8,030)	43,617
Travel	225	214	11	-
Supplies	2,655	2,326	329	6,877
Telephone	1,660	1,649	11	1,326
Electricity	13,380	13,229	151	12,715
Water and sewer	2,150	2,141	9	2,141
Refuse collection	300	300	-	300
Heating fuel	42,355	43,985	(1,630)	54,472
Janitorial	16,215	16,209	6	14,025
Training	775	775	-	-
Gas, oil and grease	4,400	4,380	20	4,967
Minor tools and equipment	4,750	4,949	(199)	937
Vehicle maintenance	5,100	5,056	44	4,372
Building repairs	15,000	10,417	4,583	8,845
Roof repairs	-	4,560	(4,560)	-
Equipment repairs	3,100	2,962	138	4,349
Used oil supplies	250	-	250	320
Required inspections	-	-	-	113
Total building and grounds maintenance	<u>241,100</u>	<u>249,948</u>	<u>(8,848)</u>	<u>227,360</u>
Shop maintenance:				
Salaries	104,350	115,246	(10,896)	99,376
Allocated to other funds	(75,000)	(155,047)	80,047	(109,123)
Overtime salaries	11,000	10,749	251	14,102
Employee benefits	83,750	88,087	(4,337)	90,898
Travel	500	-	500	-
Supplies	11,500	11,809	(309)	9,003
Telephone	2,000	1,987	13	2,237
Electricity	16,500	16,302	198	19,937
Refuse collection	2,600	2,496	104	2,544
Heating fuel	15,350	14,420	930	36,639
Training	3,000	2,420	580	625
Gas, oil and grease	8,800	8,348	452	4,209

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

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures, continued:				
Public works, continued:				
Shop maintenance, continued:				
Minor tools and equipment	\$ 8,500	8,325	175	9,745
Vehicle repairs	1,550	1,470	80	596
Building repairs	3,300	2,820	480	1,471
Shop maintenance	100	85	15	-
Required inspections	500	411	89	1,303
Equipment repairs	1,850	1,799	51	586
Total shop maintenance	200,150	131,727	68,423	184,148
Streets:				
Salaries	116,770	112,045	4,725	97,921
Overtime salaries	14,300	14,139	161	13,239
Employee benefits	85,100	88,365	(3,265)	84,813
Supplies	3,200	3,118	82	7,577
Telephone	100	50	50	-
Electricity	18,600	18,410	190	18,834
Salt and calcium	33,700	33,701	(1)	15,151
Street signs	2,700	2,626	74	1,732
Road maintenance	31,000	30,249	751	33,331
Training	100	-	100	-
Gas, oil and grease	47,000	46,577	423	47,455
Gravel	40,000	40,690	(690)	-
Minor tools and equipment	1,125	1,040	85	1,378
Major equipment	-	-	-	22,100
Vehicle repairs	19,800	19,759	41	14,223
Equipment repairs	108,585	154,367	(45,782)	194,041
Street sweeper lease	40,200	40,123	77	40,395
Total streets	562,280	605,259	(42,979)	592,190
Total public works	1,123,090	1,096,671	26,419	1,069,040
Community services:				
Library:				
Salaries	49,000	48,900	100	41,901
Overtime salaries	200	197	3	-
Employee benefits	27,650	29,321	(1,671)	20,584

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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Community services, continued:				
Library, continued:				
Advertising	\$ 300	200	100	309
Travel	1,625	1,604	21	1,678
Subscriptions and memberships	100	-	100	85
Supplies	1,000	818	182	2,040
Postage	500	272	228	263
Software	1,800	1,781	19	781
Telephone and internet	4,100	3,984	116	3,444
Electricity	4,000	3,971	29	4,054
Water and sewer	1,500	1,457	43	1,457
Refuse collection	350	300	50	300
Heating fuel	6,250	6,099	151	10,282
Audio visual	1,700	1,687	13	571
Books	3,000	5,359	(2,359)	3,695
Periodicals	650	533	117	611
Collection preservation	525	529	(4)	1,852
Contract labor	8,400	8,377	23	5,828
Training	325	308	17	255
Minor tools and equipment	4,500	5,803	(1,303)	1,666
Building repairs	275	270	5	245
Required inspections	50	-	50	56
Equipment repairs	50	-	50	-
Total library	<u>117,850</u>	<u>121,770</u>	<u>(3,920)</u>	<u>101,957</u>
Community development:				
Museum	6,000	5,833	167	1,000
Health center	500	-	500	-
Total community development	<u>6,500</u>	<u>5,833</u>	<u>667</u>	<u>1,000</u>
Total community services	<u>124,350</u>	<u>127,603</u>	<u>(3,253)</u>	<u>102,957</u>
Education - contribution to School District	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
Total expenditures	<u>6,214,214</u>	<u>5,855,896</u>	<u>358,318</u>	<u>5,932,451</u>

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

	2010			2009
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Excess of revenues over expenditures	\$ 678,141	981,656	303,515	971,518
Other financing sources (uses):				
Transfers in	1,000	1,000	-	-
Transfers out	<u>(767,230)</u>	<u>(873,300)</u>	<u>(106,070)</u>	<u>(745,408)</u>
Net other financing sources (uses)	<u>(766,230)</u>	<u>(872,300)</u>	<u>(106,070)</u>	<u>(745,408)</u>
Net change in fund balance	\$ <u>(88,089)</u>	109,356	<u>197,445</u>	226,110
Fund balance at beginning of year		<u>3,701,621</u>		<u>3,475,511</u>
Fund balance at end of year		\$ <u>3,810,977</u>		<u>3,701,621</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, 2010**  
**(With Comparative Amounts for 2009)**

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Revenues:</b>				
Charges for services:				
Water sales	\$ 147,150	142,333	(4,817)	143,722
Sewer fees	231,150	220,294	(10,856)	227,728
Total charges for services	378,300	362,627	(15,673)	371,450
Penalties and interest	6,000	5,485	(515)	7,028
Investment income	1,400	2,600	1,200	7,467
Lease and rental income	3,000	-	(3,000)	-
Federal government	-	1,203	1,203	1,513
State PERS relief	-	5,700	5,700	6,985
Other	6,000	870	(5,130)	6,325
Total revenues	394,700	378,485	(16,215)	400,768
<b>Expenditures:</b>				
Water:				
Salaries	34,800	39,306	(4,506)	28,794
Overtime salaries	10,000	12,371	(2,371)	12,238
Employee benefits	29,000	36,794	(7,794)	25,549
Contract labor	13,500	13,426	74	1,156
Advertising	175	163	12	680
Supplies	10,250	10,041	209	11,784
Gas, oil and grease	4,250	4,160	90	4,493
Utilities and telephone	15,570	16,285	(715)	24,811
Travel and training	2,875	2,839	36	2,306
Administrative overhead	35,480	36,622	(1,142)	30,431
Building and equipment repairs	9,850	9,691	159	7,832
Insurance	4,750	4,604	146	4,625
Minor tools and equipment	8,500	8,132	368	9,284
Sample testing and inspections	2,530	2,264	266	3,812
Total water	181,530	196,698	(15,168)	167,795

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

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Sewer:				
Salaries	\$ 35,000	36,837	(1,837)	26,896
Overtime salaries	8,800	8,789	11	11,842
Employee benefits	28,500	32,171	(3,671)	24,941
Travel and training	6,550	6,391	159	2,658
Contract labor	3,100	815	2,285	4,947
Advertising	50	47	3	105
Supplies	11,500	11,414	86	9,032
Gas, oil and grease	4,050	4,007	43	5,183
Utilities and telephone	50,100	50,233	(133)	48,582
Administrative overhead	44,875	44,777	98	34,791
Building and equipment repairs	23,925	23,671	254	17,526
Insurance	2,850	2,832	18	2,630
Sample testing and inspections	8,300	8,201	99	7,714
Major equipment	10,775	10,548	227	5,688
Minor tools and equipment	3,500	3,459	41	887
Total sewer	<u>241,875</u>	<u>244,192</u>	<u>(2,317)</u>	<u>203,422</u>
Total expenditures	<u>423,405</u>	<u>440,890</u>	<u>(17,485)</u>	<u>371,217</u>
Net change in fund balance	\$ <u>(28,705)</u>	(62,405)	<u>(33,700)</u>	29,551
Fund balance at beginning of year		<u>221,117</u>		<u>191,566</u>
Fund balance at end of year	\$	<u>158,712</u>		<u>221,117</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, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>		<u>Variance</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
<b>Revenues:</b>				
Landfill fees	\$ 156,500	156,784	284	152,804
State PERS relief	<u>-</u>	<u>2,376</u>	<u>2,376</u>	<u>5,622</u>
Total revenues	<u>156,500</u>	<u>159,160</u>	<u>2,660</u>	<u>158,426</u>
<b>Expenditures:</b>				
Salaries	97,800	97,742	58	90,682
Overtime salaries	7,000	6,949	51	6,929
Employee benefits	57,800	60,742	(2,942)	75,847
Utilities and telephone	6,600	11,014	(4,414)	16,605
Supplies	6,350	6,308	42	2,802
Gas, oil and grease	33,720	31,174	2,546	30,382
Insurance	8,200	8,120	80	9,154
Sample testing and inspections	7,200	7,028	172	11,872
Administrative overhead	66,640	66,313	327	59,443
Building and equipment repairs	49,867	48,849	1,018	20,786
Minor tools and equipment	3,000	2,213	787	922
In-kind landfill fees	4,400	4,305	95	2,810
Advertising	<u>100</u>	<u>23</u>	<u>77</u>	<u>79</u>
Total expenditures	<u>348,677</u>	<u>350,780</u>	<u>(2,103)</u>	<u>328,313</u>
Excess of revenues over (under) expenditures	(192,177)	(191,620)	557	(169,887)
<b>Other financing sources (uses):</b>				
Transfers in	200,290	168,717	(31,573)	200,290
Transfers out	<u>(7,500)</u>	<u>(7,500)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>192,790</u>	<u>161,217</u>	<u>(31,573)</u>	<u>200,290</u>
Net change in fund balance	\$ <u>613</u>	(30,403)	<u>(31,016)</u>	30,403
Fund balance at beginning of year		<u>30,403</u>		<u>-</u>
Fund balance at end of year	\$	<u>-</u>		<u>30,403</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, 2010**  
**(With Comparative Amounts for 2009)**

	2010			2009
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
<b>Charges for services:</b>				
Wharfage and handling	\$ 415,000	441,400	26,400	402,605
Docking	80,000	84,930	4,930	67,424
Labor income	5,000	3,925	(1,075)	-
Fuel flowage fees	-	53,800	53,800	3,501
Total charges for services	500,000	584,055	84,055	473,530
Penalties and interest	500	1,226	726	366
Investment income	7,000	12,387	5,387	33,202
Lease and rental income	38,000	37,290	(710)	33,174
State PERS relief	-	6,270	6,270	14,332
Other	5,000	15,327	10,327	5,482
Total revenues	550,500	656,555	106,055	560,086
<b>Expenditures:</b>				
Salaries	103,500	103,437	63	101,644
Overtime salaries	24,425	24,677	(252)	31,109
Employee benefits	92,100	102,761	(10,661)	111,464
Contract labor	50	-	50	1,200
Utilities and telephone	20,000	19,819	181	14,598
Supplies	3,000	2,976	24	1,687
Gas, oil and grease	22,000	21,893	107	27,411
Insurance	21,900	21,806	94	45,731
Administrative overhead	75,315	75,062	253	71,318
Major equipment	100	-	100	16,718
Minor tools and equipment	3,300	3,714	(414)	2,194
Building and equipment repairs	15,325	31,819	(16,494)	6,197
Dock repair	2,550	2,548	2	1,498
Inspections	50	-	50	895
Travel	2,200	2,189	11	12
Gravel	50	-	50	-
Total expenditures	385,865	412,701	(26,836)	433,676
Net change in fund balance	\$ 164,635	243,854	79,219	126,410
Fund balance at beginning of year		1,053,525		927,115
Fund balance at end of year	\$ 1,297,379			1,053,525

**CITY OF DILLINGHAM, ALASKA**  
**Boat Harbor Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance (Deficit) - Budget and Actual**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	2010		Variance Positive (Negative)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Charges for services - boat harbor fees	\$ 90,000	102,958	12,958	80,092
Penalties and interest	100	42	(58)	164
Bathhouse revenue	2,100	1,204	(896)	1,593
State PERS relief	-	1,495	1,495	3,395
Other	7,800	9,912	2,112	7,802
<b>Total revenues</b>	<u>100,000</u>	<u>115,611</u>	<u>15,611</u>	<u>93,046</u>
<b>Expenditures:</b>				
Salaries	44,600	42,561	2,039	41,975
Overtime salaries	6,000	4,615	1,385	5,696
Employee benefits	26,200	22,061	4,139	27,212
Travel	2,750	2,690	60	2,562
Advertising	500	490	10	587
Supplies	5,000	3,874	1,126	2,897
Gas, oil and grease	4,400	4,371	29	3,098
Utilities and telephone	37,650	35,124	2,526	35,201
Contract labor	3,000	2,816	184	-
Training	1,200	874	326	85
Administrative overhead	45,710	37,206	8,504	36,608
Minor tools and equipment	6,600	6,419	181	5,132
Building and equipment repairs	18,000	11,883	6,117	18,448
Insurance	7,500	4,212	3,288	38,873
Miscellaneous	4,125	3,477	648	5,901
Inspections	200	26	174	1,107
Ice machine	15,500	12,090	3,410	14
<b>Total expenditures</b>	<u>228,935</u>	<u>194,789</u>	<u>34,146</u>	<u>225,396</u>
Excess of revenues over (under) expenditures	(128,935)	(79,178)	49,757	(132,350)
Other financing sources - transfers in	<u>114,935</u>	<u>101,393</u>	<u>(13,542)</u>	<u>110,135</u>
Net change in fund balance	\$ <u>(14,000)</u>	22,215	<u>36,215</u>	(22,215)
Fund balance (deficit) at beginning of year		<u>(22,215)</u>		<u>-</u>
Fund balance (deficit) at end of year	\$	<u>-</u>		<u>(22,215)</u>

**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, 2010  
(With Comparative Amounts for 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
E911 revenue	\$ 51,000	15,149	(35,851)	13,994
Investment income	-	906	906	2,427
Total revenues	51,000	16,055	(34,945)	16,421
Expenditures	-	-	-	-
Excess of revenues over expenditures	51,000	16,055	(34,945)	16,421
Other financing uses - transfers out	(1,000)	(1,000)	-	-
Net change in fund balance	\$ 50,000	15,055	(34,945)	16,421
Fund balance at beginning of year		77,100		60,679
Fund balance at end of year	\$ 92,155			77,100

**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, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>		<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
			Variance Positive (Negative)
<b>Revenues:</b>			
Federal government	\$ -	-	-
Investment income	-	820	820
<b>Total revenues</b>	<u>-</u>	<u>820</u>	<u>820</u>
<b>Expenditures:</b>			
Travel	-	-	-
Minor tools and equipment	-	3,970	(3,970)
Major equipment	-	9,936	(9,936)
Vehicle maintenance	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>13,906</u>	<u>(13,906)</u>
<b>Net change in fund balance</b>	<b>\$ <u>-</u></b>	<b>(13,086)</b>	<b>(13,086)</b>
<b>Fund balance at beginning of year</b>		<u>69,766</u>	<u>86,201</u>
<b>Fund balance at end of year</b>	<b>\$</b>	<u><u>56,680</u></u>	<u><u>69,766</u></u>

**CITY OF DILLINGHAM, ALASKA**  
 Senior Citizen Center Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance (Deficit) - Budget and Actual  
 Year Ended June 30, 2010  
 (With Comparative Amounts for 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Revenues:</b>				
Lease and rental income	17,000	11,822	(5,178)	13,253
Investment income	5,600	2,483	(3,117)	9,153
State of Alaska:				
State PERS relief	-	7,373	7,373	17,450
Nutrition, transportation and support services	34,756	34,756	-	33,418
Federal government:				
Nutrition, transportation and support services	111,257	98,913	(12,344)	100,254
USDA	4,000	5,520	1,520	4,537
Other	14,400	20,074	5,674	18,135
Total revenues	187,013	180,941	(6,072)	196,200
<b>Expenditures:</b>				
Games and activities:				
Utilities	6,520	6,291	229	10,195
Supplies	50	6	44	-
Minor tools and equipment	25	-	25	96
Building and equipment repairs	25	-	25	1,600
Inspections	25	-	25	36
Total games and activities	6,645	6,297	348	11,927
Potato House:				
Utilities and telephone	4,455	4,232	223	6,525
Building and minor tools and equipment	75	58	17	174
Insurance	450	431	19	1,846
Inspections	75	55	20	158
Total Potato House	5,055	4,776	279	8,703

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

	<u>2010</u>		Variance	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	<u>Actual</u>
Expenditures, continued:				
Nutrition, transportation, and support services:				
Salaries	\$ 113,775	113,736	39	114,161
Overtime salaries	-	-	-	43
Employee benefits	84,400	86,612	(2,212)	111,398
Utilities and telephone	48,000	47,840	160	53,031
Supplies	59,575	59,496	79	49,880
Insurance	9,550	9,543	7	10,101
Administrative overhead	-	-	-	20,868
Building and equipment repairs	<u>17,250</u>	<u>17,087</u>	<u>163</u>	<u>8,324</u>
Total nutrition, transportation, and support services	<u>332,550</u>	<u>334,314</u>	<u>(1,764)</u>	<u>367,806</u>
Senior center - operations:				
Salaries	20,425	35,232	(14,807)	19,519
Overtime salaries	-	-	-	15
Employee benefits	17,275	20,982	(3,707)	21,388
Advertising	-	304	(304)	-
Supplies	-	1,302	(1,302)	-
Travel	3,010	2,569	441	-
Administrative overhead	81,775	84,768	(2,993)	63,171
Training	250	234	16	250
Building and equipment repairs	<u>-</u>	<u>-</u>	<u>-</u>	<u>720</u>
Total senior center - operations	<u>122,735</u>	<u>145,391</u>	<u>(22,656)</u>	<u>105,063</u>
Total expenditures	<u>466,985</u>	<u>490,778</u>	<u>(23,793)</u>	<u>493,499</u>
Excess of revenues over (under) expenditures	(279,972)	(309,837)	(29,865)	(297,299)
Other financing sources - transfers in	<u>323,983</u>	<u>282,824</u>	<u>(41,159)</u>	<u>323,983</u>
Net change in fund balance	\$ <u>44,011</u>	(27,013)	<u>(71,024)</u>	26,684
Fund balance at beginning of year		<u>26,684</u>		<u>-</u>
Fund balance (deficit) at end of year	\$	<u>(329)</u>		<u>26,684</u>

**CITY OF DILLINGHAM, ALASKA**  
 Homeland Security Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance (Deficit)  
 Year Ended June 30, 2010  
 (With Comparative Amounts for 2009)

	<u>2010</u>	<u>2009</u>
Revenues - federal government	\$ <u>          -</u>	<u>      340,500</u>
Expenditures - public safety:		
Regional jail project	8,573	-
FEMA tanker grant	-	313,500
SHSP equipment	<u>          -</u>	<u>      27,000</u>
Total expenditures	<u>      8,573</u>	<u>      340,500</u>
Net change in fund balance	(8,573)	-
Fund balance at beginning of year	<u>          -</u>	<u>          -</u>
Fund deficit at end of year	\$ <u>      (8,573)</u>	<u>          -</u>



### **Debt Service Fund**

The Debt Service Fund accounts for the accumulation of monies for payments of the General Obligation School Bonds. Servicing of this debt requires various annual and semi-annual payments of principal and interest. Financing is provided by the State of Alaska debt reimbursement program, and transfers, determined annually by budget, from the General Fund.

**CITY OF DILLINGHAM, ALASKA**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>		<u>Variance</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
<b>Revenues:</b>				
Contribution from school district	\$ 100,000	100,000	-	100,000
State of Alaska	<u>824,000</u>	<u>824,109</u>	<u>109</u>	<u>803,842</u>
Total revenues	<u>924,000</u>	<u>924,109</u>	<u>109</u>	<u>903,842</u>
<b>Expenditures:</b>				
Principal	495,000	495,000	-	470,000
Interest	<u>683,000</u>	<u>682,590</u>	<u>410</u>	<u>678,631</u>
Total expenditures	<u>1,178,000</u>	<u>1,177,590</u>	<u>410</u>	<u>1,148,631</u>
Excess of revenues over (under) expenditures	(254,000)	(253,481)	519	(244,789)
Other financing sources - transfers in	<u>254,000</u>	<u>253,270</u>	<u>(730)</u>	<u>245,000</u>
Net change in fund balance	\$ <u>-</u>	(211)	<u>(211)</u>	211
Fund balance at beginning of year		<u>211</u>		<u>-</u>
Fund balance at end of year	\$ <u>-</u>			<u>211</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.

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 Deficit**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>	<u>2009</u>
Revenues:		
State of Alaska	\$ 203,183	-
Federal government	240,530	112,204
Other	<u>215,968</u>	<u>214,998</u>
Total revenues	<u>659,681</u>	<u>327,202</u>
Expenditures:		
All-tides dock	-	9,900
Boat harbor ramps	429,160	311,260
North bulkhead	59,672	27,320
Other projects	<u>172,876</u>	<u>-</u>
Total expenditures	<u>661,708</u>	<u>348,480</u>
Net change in fund deficit	(2,027)	(21,278)
Deficit at beginning of year	<u>(21,278)</u>	<u>-</u>
Deficit at end of year	\$ <u><u>(23,305)</u></u>	<u><u>(21,278)</u></u>

**CITY OF DILLINGHAM, ALASKA**  
**Water and Sewer Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>	<u>2009</u>
Revenues:		
State of Alaska	\$ 314,940	28,253
Federal government	1,443,707	125,307
Other	<u>47,360</u>	<u>127,567</u>
Total revenues	<u>1,806,007</u>	<u>281,127</u>
Expenditures:		
Water system improvements	1,527,633	53,601
Standpipe	<u>292,940</u>	<u>121,218</u>
Total expenditures	<u>1,820,573</u>	<u>174,819</u>
Net change in fund balance	(14,566)	106,308
Fund balance at beginning of year	<u>106,308</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>91,742</u></u>	<u><u>106,308</u></u>

**CITY OF DILLINGHAM, ALASKA**  
**School Bonds Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>	<u>2009</u>
Revenues - investment income	\$ <u>6,816</u>	<u>322,889</u>
Expenditures:		
Bond issuance costs	-	8,455
School building projects	<u>7,326,502</u>	<u>3,587,110</u>
Total expenditures	<u>7,326,502</u>	<u>3,595,565</u>
Excess of revenues over (under) expenditures	(7,319,686)	(3,272,676)
Other financing uses - transfers out	<u>(6,816)</u>	<u>(245,000)</u>
Net change in fund balance	(7,326,502)	(3,517,676)
Fund balance at beginning of year	<u>11,636,714</u>	<u>15,154,390</u>
Fund balance at end of year	\$ <u><u>4,310,212</u></u>	<u><u>11,636,714</u></u>

**CITY OF DILLINGHAM, ALASKA**  
**School Repairs Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>	<u>2009</u>
Revenues - State of Alaska	\$ 12,822	261,247
Expenditures - school fire alarm sprinkler system	<u>12,822</u>	<u>261,247</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**  
**Equipment Replacement Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>	<u>2009</u>
Revenues:	\$	
Investment income	2,396	2,854
Equipment sales	<u>34,099</u>	<u>-</u>
Total revenues	<u>36,495</u>	<u>2,854</u>
Other financing sources - transfers in	<u>50,000</u>	<u>55,000</u>
Net change in fund balance	86,495	57,854
Fund balance at beginning of year	<u>132,919</u>	<u>75,065</u>
Fund balance at end of year	\$ <u>219,414</u>	<u>132,919</u>



**CITY OF DILLINGHAM, ALASKA**  
**Ambulance Reserve Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>	<u>2009</u>
Revenues - investment income	\$ 4,232	11,069
Other financing sources - transfers in	<u>23,912</u>	<u>56,000</u>
Net change in fund balance	28,144	67,069
Fund balance at beginning of year	<u>371,343</u>	<u>304,274</u>
Fund balance at end of year	\$ <u><u>399,487</u></u>	<u><u>371,343</u></u>

**CITY OF DILLINGHAM, ALASKA**  
**Landfill Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

	<u>2010</u>	<u>2009</u>
Revenues:		
State of Alaska	\$ 5,034	287,636
Investment income	<u>1,862</u>	<u>1,118</u>
Total revenues	<u>6,896</u>	<u>288,754</u>
Expenditures - new landfill	<u>6,817</u>	<u>410,774</u>
Excess of revenues over (under) expenditures	79	(122,020)
Other financing sources - transfers in	<u>7,500</u>	<u>-</u>
Net change in fund balance	7,579	(122,020)
Fund balance at beginning of year	<u>158,365</u>	<u>280,385</u>
Fund balance at end of year	\$ <u>165,944</u>	<u>158,365</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  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2010  
(With Comparative Amounts for 2009)

	<u>2010</u>	<u>2009</u>
Revenues - investment income	\$ <u>5,712</u>	<u>21,249</u>
Expenditures - community services:		
Utilities	5,564	4,207
Building repairs	4,810	-
Insurance	<u>976</u>	<u>687</u>
Total expenditures	<u>11,350</u>	<u>4,894</u>
Net change in fund balance	(5,638)	16,355
Fund balance at beginning of year	<u>414,328</u>	<u>397,973</u>
Fund balance at end of year	\$ <u><u>408,690</u></u>	<u><u>414,328</u></u>

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**CITY OF DILLINGHAM, ALASKA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

<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, 2009 Receivable (Deferred)</u>	<u>Federal Share of Expend- itures</u>	<u>Federal Receipts</u>	<u>June 30, 2010 Receivable (Deferred)</u>
<b>DENALI COMMISSION</b>							
Dillingham Small Boat Harbor Ramps	290-07	90.100	\$ 350,000	483	214,517	215,000	-
<b>DEPARTMENT OF AGRICULTURE</b>							
Passed through State of Alaska Department of Natural Resource - Volunteer Fire Assistance	2010	10.664	8,881	-	1,094	8,881	(7,787)
Passed through State of Alaska Department of Environmental Conservation - Water System Improvement (75% Federal)	28304	10.760	360,700	13,187	274,332	269,482	18,037
USDA Rural Utilities Service Water Project Grant	06 010 920033674	10.760	773,150	18,404	85,149	-	103,553
Total CFDA 10.760				31,591	359,481	269,482	121,590
Total Department of Agriculture				31,591	360,575	278,363	113,803
<b>ENVIRONMENTAL PROTECTION AGENCY</b>							
Passed through State of Alaska Department of Environmental Conservation: RUBA Program	8728122	66.202	2,716	1,513	1,203	2,716	-
Water System Improvement (75% Federal)	28305	66.202	4,543,000	59,185	670,489	239,326	490,348
Total Environmental Protection Agency				60,698	671,692	242,042	490,348
<b>DEPARTMENT OF COMMERCE</b>							
Bulkhead Extension	07-79-73308	11.300	1,000,000	-	26,013	1,565	24,448
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed through State of Alaska Department of Health and Social Services: Nutrition, Transportation and Support Services (75% Federal)	607-09-106	93.044/93.045	100,254	5,679	-	5,679	-
Nutrition, Transportation and Support Services (75% Federal)	607-10-106	93.045	98,916	-	98,916	93,971	4,945
Nutrition Service Incentive Program	2009	93.053	5,301	761	-	761	-
Nutrition Service Incentive Program	2010	93.053	5,143	-	5,520	4,323	1,197
Total Aging Cluster				6,440	104,436	104,734	6,142
Passed through Alaska Native Tribal Health Consortium - Water Treatment Plant	AN-05-NA7	93.210	665,000	8,818	413,738	8,818	413,738
Total Department of Health and Human Services				15,258	518,174	113,552	419,880
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
Passed through State of Alaska Department of Military and Veteran Affairs - Emergency Management Performance Grant	09EMPG-GR35565	97.042	12,177	1,823	8,350	10,173	-
<b>DEPARTMENT OF THE INTERIOR</b>							
Passed through State of Alaska Department of Commerce, Community and Economic Development: Refuge Revenue Sharing Act	-	15.226	331	-	331	331	-
Payment in Lieu of Taxes	-	15.226	441,446	-	411,446	411,446	-
Total Department of the Interior				-	411,777	411,777	-

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

<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, 2009 Receivable (Deferred)</u>	<u>Federal Share of Expend- itures</u>	<u>Federal Receipts</u>	<u>June 30, 2010 Receivable (Deferred)</u>
<b>DEPARTMENT OF EDUCATION</b>							
Passed through State of Alaska Department of Commerce, Community and Economic Development -							
Purchase Heating Fuel Grant	S397A90002	84.397	\$ 70,532	-	70,532	70,532	-
<b>DEPARTMENT OF TRANSPORTATION</b>							
Passed through State of Alaska Department of Transportation and Public Facilities:							
ASTEP Seatbelt Enforcement	402PT 09-06-03	20.600	3,951	1,936	-	1,936	-
ASTEP Seatbelt Enforcement	402PT 10-06-09	20.600	3,359	-	1,081	-	1,081
ASTEP DUI Enforcement	154AL 09-01-01	20.600	8,891	374	2,396	2,770	-
ASTEP DUI Enforcement	154AL 10-01-01	20.600	226	-	226	-	226
Total Department of Transportation				<u>2,310</u>	<u>3,703</u>	<u>4,706</u>	<u>1,307</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>							
Passed through Curyung Tribal Council:							
IMLS Library Grant	NG-05-08-0112-08	45.311	6,000	4,022	1,978	6,000	-
IMLS Library Grant	NG-05-09-0077-09	45.311	6,000	-	3,023	-	3,023
Total CFDA 45.311				<u>4,022</u>	<u>5,001</u>	<u>6,000</u>	<u>3,023</u>
Passed through State of Alaska Department of Education and Early Development:							
Continuing Education Grant	CED-10-728-216	45.310	1,000	-	1,000	-	1,000
Small Libraries Institute for Management	2010 SLIM	45.310	462	-	462	-	462
Total CFDA 45.310				<u>-</u>	<u>1,462</u>	<u>-</u>	<u>1,462</u>
Total Institute of Museum and Library Services				<u>4,022</u>	<u>6,463</u>	<u>6,000</u>	<u>4,485</u>
Total Federal Financial Assistance			\$	<u>116,185</u>	<u>2,291,796</u>	<u>1,353,710</u>	<u>1,054,271</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, 2010**

Name of Award	Grant Number	Total Grant Award	July 1, 2009 Receivable	State Share of Expenditures	State Receipts	June 30, 2010 Receivable
<b>DEPARTMENT OF ADMINISTRATION</b>						
* State PERS Relief	N/A	\$ 129,521	-	129,521	129,521	-
<b>DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT</b>						
Public Library Assistance	PLA 09-728-18	6,350	(972)	972	-	-
Public Library Assistance	PLA 10-728-18	6,350	-	6,350	6,350	-
Debt Service - School Bonds FY09	N/A	803,842	8,038	-	8,038	-
* Debt Service - School Bonds FY10	N/A	824,109	-	824,109	815,868	8,241
Total Department of Education and Early Development			7,066	831,431	830,256	8,241
<b>DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT</b>						
* Revenue sharing	N/A	215,730	-	215,730	215,730	-
Shared Fisheries Business Tax	N/A	33,524	-	33,524	33,524	-
Dillingham School Emergency Fire Alarm Sprinkler System	08-DC-258	600,000	-	12,822	12,822	-
City Shoreline Emergency Bank Stabilization	09-DC-449	1,500,000	-	35,399	22,915	12,484
Total Department of Commerce, Community and Economic Development			-	297,475	284,991	12,484
<b>DEPARTMENT OF REVENUE</b>						
* Fisheries Business Tax	N/A	187,259	-	187,259	187,259	-
* Electric and Telephone Co-op Tax	N/A	75,300	-	75,300	75,300	-
Liquor Licenses	N/A	4,000	-	4,000	1,500	2,500
Total Department of Revenue			-	266,559	264,059	2,500
<b>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>						
Landfill Project Phase III	28303	1,672,825	43,002	6,818	-	49,820
* Water System Improvements Phase I (25% State)	28304	120,250	4,396	91,444	89,827	6,013
* Water System Improvements Phase I (25% State)	28305	385,750	19,728	223,496	79,775	163,449
Total Department of Environmental Conservation			67,126	321,758	169,602	219,282
<b>DEPARTMENT OF HEALTH AND SOCIAL SERVICES</b>						
Nutrition, Transportation and Support Services (25% State)	607-09-106	33,418	1,002	-	1,002	-
Nutrition, Transportation and Support Services (25% State)	607-10-106	34,756	-	34,756	33,017	1,739
Total Department of Health and Social Services			1,002	34,756	34,019	1,739
<b>DEPARTMENT OF CORRECTIONS</b>						
Local Community Jail Program FY2009 Capital Project	N/A	18,887	(18,877)	8,573	-	(10,304)
<b>DEPARTMENT OF PUBLIC SAFETY</b>						
Training Assistance Agreement	N/A	2,000	(2,000)	2,000	-	-
<b>DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</b>						
* Dillingham Small Boat Harbor	09-HG-006	167,784	-	167,784	167,784	-
Safe Routes to Schools	LU 20-09-008	5,000	1,282	-	1,282	-
Total Department of Transportation and Public Facilities			1,282	167,784	169,066	-
Total State Financial Assistance		\$	55,599	2,059,857	1,881,514	233,942

\* 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 City of Dillingham, as of and for the year ended June 30, 2010, which collectively comprise City of Dillingham's basic financial statements as listed in the table of contents and have issued our report thereon dated December 28, 2010. 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 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Honorable Mayor and City Council  
City of Dillingham, Alaska

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, others within the entity, 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  
December 28, 2010

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 City of Dillingham's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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.

City of Dillingham's basic financial statements include the operations of its component unit, 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, 2010. Our audit, described below, did not include the operations of 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 of City of Dillingham's compliance with those requirements.

In our opinion, City of Dillingham complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, others within the entity, 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  
December 28, 2010

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. City of Dillingham's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of 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.

City of Dillingham's basic financial statements include the operations of its component unit, 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, 2010. Our audit, described below, did not include the operations of 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 compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.

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 the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, others within the entity, 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  
December 28, 2010

**CITY OF DILLINGHAM, ALASKA**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**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 Agriculture	10.760	Water and Waste Disposal Systems for Rural Communities
Environmental Protection Agency	66.202	Congressionally Mandated Projects
Department of Health and Human Services	93.210	Tribal Self-Governance Program IHS Compacts/Funding Agreements

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

\$300,000

Auditee qualified as low-risk auditee?

yes  no





**CITY OF DILLINGHAM, ALASKA**

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2010**

**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, 2010

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