

CITY OF DILLINGHAM, ALASKA

Basic Financial Statements, Management Discussion and
Analysis, Required Supplementary Information, Additional
Supplementary Information, and Compliance Reports

Year Ended June 30, 2015

CITY OF DILLINGHAM, ALASKA

Basic Financial Statements, Management Discussion and
Analysis, Required Supplementary Information, Additional
Supplementary Information, and Compliance Reports

Year Ended June 30, 2015

CITY OF DILLINGHAM, ALASKA

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Independent Auditor's Report

Honorable Mayor and City Council
City of Dillingham, Alaska
Dillingham, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note XVI. to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 and the Public Employees' Retirement System Schedules on pages 43-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dillingham, Alaska's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes the combining statements and schedules, individual major and non-major funds budget to actual schedules, schedule of expenditures of federal awards, and the state schedule of financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying state schedule of financial assistance is presented as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Honorable Mayor and City Council
City of Dillingham

The Additional Supplementary Information listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Additional Supplementary Information listed above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Dillingham for the year ended June 30, 2014 (not presented herein) and have issued our report dated February 9, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. The combining statements and schedules, individual major and non-major funds budget to actual schedules for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the June 30, 2014 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2014 combining statements and schedules, individual major and non-major budget to actuals are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016 on our consideration of the City of Dillingham, Alaska'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dillingham, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
March 29, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis
Year Ended June 30, 2015

This section of the City of Dillingham, Alaska's annual financial report presents the City management's discussion and analysis of the City's financial activities for the fiscal year ended June 30, 2015 with comparable information presented for the year ended June 30, 2014. This discussion and analysis should be read in conjunction with the City's financial statements.

Financial Highlights for 2015

- In total, net position exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$41,292,005. Of this amount, \$3,890,599 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$1,910,164 in 2015. The cumulative effect of change in accounting principle (GASB 68) decreased beginning net position by \$3,061,242.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,919,480, which is an increase of \$375,415 from the prior year. \$4,481,774 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2015, unassigned fund balance for the General Fund was \$4,637,243 or 61% of total General Fund expenditures.

Financial Highlights for 2014

- In total, net position exceeded its liabilities at June 30, 2014 by \$42,443,083. Of this amount, \$6,191,526 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position decreased by \$254,144 in 2014.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,544,065, which is a decrease of \$123,976 from the prior year. \$4,271,537 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2014, unassigned fund balance for the General Fund was \$4,427,006 or 64% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. City of Dillingham, Alaska's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities.

- *Government-wide financial statements* provide both short-term and long-term information about the City's overall financial status.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

- *Fund financial statements* include the governmental fund statements which tell how basic services, such as, City Administration, Public Safety, Public Works, etc. were financed in the short-term as well as what remains for future spending and focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.
- *The statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as an indicator of whether the financial position of the City is improving or deteriorating.
- *The statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The financial statements include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by two sections (1) required supplementary information (2) additional supplementary information on individual fund activity, and (3) compliance reports.

Government-wide Statements

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. Both of the Government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Dillingham, Alaska does not have any business-type funds.

The Government-wide financial statements include all the City's *governmental activities*, which accounts for all of the City's basic services such as public safety, public works, community services, water and sewer, landfill, dock, boat harbor, senior citizen center, and education.

The Government-wide financial statements include one component unit, known as Dillingham City School District. The School District is a legally separate entity for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of revenue and spending on particular programs.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

Governmental Funds: Most of the City's basic services are included in governmental funds. Unlike the Government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as balances of spendable resources left at fiscal year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Dillingham, Alaska maintains several individual governmental funds including Water and Sewer, Landfill and Dock Special Revenue Funds. These funds are considered governmental funds, not enterprise funds, as the City of Dillingham, Alaska does not expect to cover operational costs with user fees for any of these operations. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and the Landfill Closure Capital Project Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and individual budget to actual schedules elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Required Supplementary Information

Required supplementary includes the schedules of City's Proportionate Share of Net Pension Liability and City's Contributions as required by GASB 68.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information presenting the combining statements displaying the other governmental funds.

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dillingham, Alaska, assets exceeded liabilities by \$41,292,005 at the close of FY2015, the most recent fiscal year.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

By far the largest portion of the City's net position (89%) reflects its net investments in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>2015</u>	<u>2014</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Current and other assets	\$ 7,779,768	7,242,669
Long-term and capital assets	48,608,599	48,390,637
Deferred outflows of resources	368,598	-
Total assets and deferred outflows of resources	<u>56,756,965</u>	<u>55,633,306</u>
Current liabilities	410,487	539,436
Long-term liabilities	14,793,585	12,650,787
Deferred inflows of resources	260,888	-
Total liabilities and deferred inflows of resources	<u>15,464,960</u>	<u>13,190,223</u>
Net position		
Net investment in capital assets	36,866,129	35,777,718
Restricted for Mary Carlson Estate Permanent Fund	382,156	388,161
Restricted for E-911 surcharge	149,008	79,606
Restricted for asset forfeitures	4,113	6,072
Unrestricted	<u>3,890,599</u>	<u>6,191,526</u>
Total net position	<u>\$ 41,292,005</u>	<u>42,443,083</u>

The majority of net position is restricted for capital assets, net of debt (89% in 2015 and 84% in 2014). A small portion of the City's net position (1% in 2015 and 1% in 2014), represent resources that are subject to external restrictions on how they may be used. Such restrictions are for the restricted assets for Mary Carlson Estate Permanent Fund, Enhanced 911, and Asset Forfeitures. The remaining balance of unrestricted net position of \$3,890,599 in 2015 and \$6,191,526 in 2014 may be used to meet the government's ongoing obligation to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for government as a whole, and for its separate governmental activities.

The governmental activities total net position decreased by \$1,151,078 due to GASB Statement 68 implementation in 2015. In 2014, total net position decreased by \$244,144.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

Statement of Activities

The following condensed table of changes in net position displays the revenues and expenses for the current and prior year.

	Change in Net Position	
	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 2,630,932	2,589,568
Operating grants and contributions	855,392	419,526
Capital grants and contributions	3,299,842	3,591,963
General revenues:		
Taxes:		
Sales taxes	3,099,509	3,602,230
Real and personal property taxes	2,213,644	2,052,692
Gaming taxes	68,584	49,509
Payment in lieu of taxes	448,329	426,339
Grants and entitlements not restricted to a Specific purpose	461,242	948,418
Investment income	38,995	48,814
Other	266,692	502,125
Total revenues	\$ 13,838,161	14,231,184
Expenses:		
General government	1,621,359	4,199,300
Public safety	2,483,209	2,617,538
Public works	1,061,659	1,526,389
Community services	192,611	589,607
Water and sewer	974,068	685,838
Landfill	716,352	649,301
Dock	1,119,466	1,267,488
Boat Harbor	445,526	249,564
Senior citizen center	489,966	461,006
Education	1,822,691	1,663,207
Interest on long-term debt	546,090	576,090
Total expenses	11,472,997	14,485,328
Increase (decrease) in net position	1,910,164	(254,144)
Net position at beginning of year	42,443,083	42,697,227
Cumulative effect change in accounting principle	(3,061,242)	-
Net position at beginning of year, as restated	39,381,841	42,697,227
Net position at end of year	\$ 41,292,005	42,443,083

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

Governmental Activities

General revenues accounted for most of the City's revenues at 49%, charges for services contributing 20%, operating grants and contributions contributing 6%, and capital grant and contributions contributing 25%. The decrease in revenues and expenditures is primarily the result of the State's measurement period (June 30, 2014) for determining the pension unfunded liability. The City reversed the 2015 on-behalf and recorded the 2014 pension expense in the government-wide financial statements. The 2014 pension expense was much lower than the 2015 on-behalf payment.

A detail of expenses for governmental activities is as follows:

Function:	<u>2015</u>		<u>2014</u>	
	<u>Expense</u>	<u>Percentage</u>	<u>Expense</u>	<u>Percentage</u>
General government	\$ 1,621,359	14%	4,199,300	29%
Public safety	2,483,209	22%	2,617,538	18%
Public works	1,061,659	9%	1,526,389	11%
Community services	192,611	2%	589,607	4%
Water and sewer	974,068	8%	685,838	5%
Landfill	716,352	6%	649,301	4%
Dock	1,119,466	10%	1,267,488	9%
Boat Harbor	445,526	4%	249,564	2%
Senior citizen center	489,966	4%	461,006	3%
Education	1,822,691	16%	1,663,207	11%
Interest on long-term debt	546,090	5%	576,090	4%
Total	<u>\$ 11,472,997</u>	<u>100%</u>	<u>14,485,328</u>	<u>100%</u>

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

At June 30, 2015 the City's governmental funds reported combined ending fund balances of \$6,919,480, an increase of \$375,415 from the prior year. Of this amount \$2,437,706 is non-spendable, restricted, committed, or assigned for specific purposes. \$4,481,774 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2015 and 2014 the unassigned fund balance of the General Fund was \$4,637,243 and \$4,427,006, respectively, which is 98% and 98% of the total General Fund balance. As a measure of the General Fund's liquidity, both unassigned fund balance and total fund balance may be compared to total fund expenditures. Unassigned fund balance represents 61% of total General Fund expenditures at June 30, 2015 and 64% as of 2014.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

The fund balance of the City's General Fund increased by \$220,119 in 2015 compared to an increase of \$60,247 in 2014.

General Fund Budgetary Highlights

Differences between the original budget and the final budget can be briefly summarized as follows:

- Increase in federal sources of \$26,844;
- Increase in State of Alaska funding of \$59,183;
- Overall appropriations increased by \$101,145.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental-type activities as of June 30, 2015 amounts to \$48,608,599 (net of accumulated depreciation), a increase of \$354,537 over last year. This investment in capital assets includes land, buildings, machinery, and equipment, and Improvements other than buildings.

Major capital asset events during the current fiscal year included the following:

- Improvements of \$56,002.
- Construction of \$1,676,874.
- Machinery and Equipment additions of \$828,180.

		2015	2014
Governmental Activities (Net of Accumulated Depreciation)			
Land	\$	4,862,446	4,862,446
Construction in progress		4,204,395	6,835,140
Buildings		17,270,607	16,891,137
Machinery and equipment		3,926,912	3,805,109
Improvement other than buildings		18,344,239	15,860,230
Total capital assets	\$	48,608,599	48,254,062

Additional information on the City's capital assets can be found in note 4 on pages 26 through 27 of this report.

Long-Term Debt – At the end of the current fiscal year, the City of Dillingham, Alaska had total bonded debt outstanding of \$11,499,697. This entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, loans, compensated absences and landfill closure and post-closure costs.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

The following table displays the long-term debt for the current year.

	Governmental Activities	
	2015	2014
General obligation bonds, including premium	\$ 11,499,697	12,146,981
Public works – grader	78,982	148,991
Public works – vehicle	23,874	30,888
Animal control vehicle lease	5,059	9,844
Public safety vehicle lease (2012)	7,049	13,554
Public safety vehicle lease (2014)	38,040	49,323
Public safety vehicle lease (2015)	24,763	-
Net pension liability	2,822,639	-
Accrued leave (net)	172,482	172,206
Estimated landfill closure costs	121,000	79,000
Total long-term debt	<u>\$ 14,793,585</u>	<u>12,650,787</u>

The City of Dillingham, Alaska’s total debt increased by \$2,142,798 during the current fiscal year, due to the implementation of GASB 68, which required recording the City’s share of the unfunded pension liability.

Additional information on the City of Dillingham, Alaska’s long-term debt can be found in note 6 on page 28 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate hovers around 7.8% for the State of Alaska.
- Due to budget constraints, it is anticipated that State and Federal funding will decrease.
- These factors were considered in preparing the FY16 budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Dillingham, Alaska’s finances for all of those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager of the City of Dillingham, Alaska, P.O. Box 889, Dillingham, Alaska 99576.

BASIC FINANCIAL STATEMENTS

CITY OF DILLINGHAM, ALASKA

Statement of Net Position

June 30, 2015

	Primary Government	Component Unit
	Governmental Activities	Dillingham City School District
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Current:		
Cash and investments	\$ 5,778,553	1,702,121
Receivables, net	1,836,071	307,498
Restricted cash and investments	77,001	-
Inventory	-	26,785
Prepaid items	88,143	-
Total current	<u>7,779,768</u>	<u>2,036,404</u>
Noncurrent:		
Land and construction in progress	9,066,841	-
Other capital assets, net of accumulated depreciation	39,541,758	393,971
Total noncurrent	<u>48,608,599</u>	<u>393,971</u>
Deferred outflows of resources -		
Pension deferrals	368,598	226,915
Total assets and deferred outflows of resources	<u>56,756,965</u>	<u>2,657,290</u>
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>		
Liabilities:		
Current:		
Accounts payable	280,621	-
Accrued payroll and related liabilities	111,687	249,675
Due to student groups	-	74,044
Unearned revenue	18,179	201,761
Total current	<u>410,487</u>	<u>525,480</u>
Non-current:		
Due within one year:		
Accrued leave	172,482	-
Bonds	682,284	-
Capital leases	109,940	-
Due in more than one year:		
Net pension liability	2,822,639	3,730,842
Bonds	10,817,413	-
Capital leases	67,827	-
Landfill closure costs	121,000	-
Total non-current	<u>14,793,585</u>	<u>3,730,842</u>
Deferred inflows of resources - pension deferrals	260,888	418,537
Total liabilities and deferred inflows of resources	<u>15,464,960</u>	<u>4,674,859</u>
Net position:		
Net investment in capital assets	36,866,129	393,971
Restricted:		
Mary Carlson Estate	382,156	-
Enhanced 911	149,008	-
Asset forfeitures	4,113	-
Unrestricted	3,890,599	(2,411,540)
Total net position	<u>\$ 41,292,005</u>	<u>(2,017,569)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 56,756,965</u>	<u>2,657,290</u>

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

CITY OF DILLINGHAM, ALASKA

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Component Unit Dillingham City School District
Primary government:						
Governmental:						
General government	\$ 1,621,359	503,251	39,364	-	(1,078,744)	-
Public safety	2,483,209	817,685	159,339	527,603	(978,582)	-
Public works	1,061,659	-	41,154	354,203	(666,302)	-
Community services	192,611	-	128,903	45,484	(18,224)	-
Water and sewer	974,068	381,697	68,276	-	(524,095)	-
Landfill	716,352	123,988	55,746	1,493,490	956,872	-
Dock	1,119,466	652,455	118,814	56,003	(292,194)	-
Boat harbor	445,526	123,187	21,393	-	(300,946)	-
Senior citizen center	489,966	28,669	222,403	-	(238,894)	-
Education	1,822,691	-	-	823,059	(999,632)	-
Unallocated interest	546,090	-	-	-	(546,090)	-
Total governmental activities	\$ <u>11,472,997</u>	<u>2,630,932</u>	<u>855,392</u>	<u>3,299,842</u>	<u>(4,686,831)</u>	<u>-</u>
Component Unit - school district - Education	\$ <u>12,297,860</u>	<u>57,132</u>	<u>3,451,350</u>	<u>-</u>	-	(8,789,378)
General revenues:						
Taxes:						
Sales and other taxes				\$ 3,099,509	-	
Real and personal property taxes				2,213,644	-	
Gaming taxes				68,584	-	
Payment in lieu of taxes				448,329	-	
Contributions from primary government				-	1,300,000	
Grants and entitlements not restricted to a specific purpose				461,242	7,918,604	
Investment income				38,995	155	
E-Rate				-	513,547	
Other				266,692	34,911	
Total general revenues				<u>6,596,995</u>	<u>9,767,217</u>	
Change in net position				1,910,164	977,839	
Net position at beginning of year, as previously stated				42,443,083	1,942,735	
Cumulative effect of a change in accounting principle				<u>(3,061,242)</u>	<u>(4,938,143)</u>	
Net position at beginning of year, as restated				<u>39,381,841</u>	<u>(2,995,408)</u>	
Net position at end of year				\$ <u>41,292,005</u>	<u>(2,017,569)</u>	

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

CITY OF DILLINGHAM, ALASKA
Balance Sheet - Governmental Funds
June 30, 2015

<u>Assets</u>	<u>General Fund</u>	<u>Landfill Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 5,387,462	-	391,091	5,778,553
Prepaid items	88,143	-	-	88,143
Receivables, net of allowance of uncollectible accounts				
Sales taxes	494,873	-	-	494,873
Real and personal property taxes	281,819	-	-	281,819
Accounts	114,893	-	266,716	381,609
Grants and shared revenues	-	253,977	423,793	677,770
Due from other funds	550,319	50,360	1,643,912	2,244,591
Restricted cash and investments	-	-	77,001	77,001
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>6,917,509</u>	<u>304,337</u>	<u>2,802,513</u>	<u>10,024,359</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 68,251	132,293	80,077	280,621
Accrued payroll and payroll liabilities	81,873	-	29,814	111,687
Due to other funds	1,694,272	-	550,319	2,244,591
Unearned revenue	-	-	18,179	18,179
Total liabilities	<u>1,844,396</u>	<u>132,293</u>	<u>678,389</u>	<u>2,655,078</u>
Deferred inflows of resources - delinquent property taxes and dock fees	<u>347,727</u>	<u>-</u>	<u>102,074</u>	<u>449,801</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and deferred inflows of resources	<u>2,192,123</u>	<u>132,293</u>	<u>780,463</u>	<u>3,104,879</u>
 Fund Balances:				
Nonspendable	88,143	-	-	88,143
Restricted	-	-	600,283	600,283
Committed	-	172,044	805,466	977,510
Assigned	-	-	771,770	771,770
Unassigned	4,637,243	-	(155,469)	4,481,774
Total fund balances	<u>4,725,386</u>	<u>172,044</u>	<u>2,022,050</u>	<u>6,919,480</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>6,917,509</u>	<u>304,337</u>	<u>2,802,513</u>	<u>10,024,359</u>

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

CITY OF DILLINGHAM, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

June 30, 2015

Total fund balances for governmental funds		\$	6,919,480
Total net position reported for governmental activities in the Statement of Net Position 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 and land improvements	4,862,446		
Construction in progress	4,204,395		
Buildings	24,606,898		
Improvements other than buildings	30,188,093		
Machinery and equipment	7,965,608		
Total capital assets	<u>71,827,440</u>		
Less accumulated depreciation	<u>(23,218,841)</u>		
Total capital assets, net of accumulated depreciation			<u>48,608,599</u>
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 and dock receivable			
			<u>449,801</u>
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	(11,275,000)		
Unamortized bond premium	(224,697)		
Capital leases	(177,767)		
Accrued leave	(172,482)		
Landfill closure costs	<u>(121,000)</u>		
Total long-term liabilities			<u>(11,970,946)</u>
Proportionate share of the collective net pension liability:			
PERS			<u>(2,822,639)</u>
Deferred inflows and outflows of resources are the results of timing differences in the actuarial report.			
Pension related assets in the current fiscal year are presented as deferred outflows of resources:			
PERS			<u>368,598</u>
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources:			
PERS			<u>(260,888)</u>
Total net position of governmental activities		\$	<u><u>41,292,005</u></u>

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

CITY OF DILLINGHAM, ALASKA

Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds

Year Ended June 30, 2015

	General Fund	Landfill Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Intergovernmental:				
Federal sources	\$ 446,844	-	544,552	991,396
State of Alaska	1,767,424	1,348,401	1,789,644	4,905,469
Local sources:				
Taxes	5,383,222	-	-	5,383,222
Local assistance	-	145,089	148,619	293,708
Charges for services	1,171,136	-	1,333,297	2,504,433
Licenses and permits	17,529	-	-	17,529
Fines and forfeitures	11,631	-	-	11,631
Lease and rental income	45,116	-	52,223	97,339
Investment income	29,072	-	9,923	38,995
Other	65,806	-	46,828	112,634
Total revenues	<u>8,937,780</u>	<u>1,493,490</u>	<u>3,925,086</u>	<u>14,356,356</u>
Expenditures:				
Current:				
General government	1,892,327	-	-	1,892,327
Public safety	2,868,503	-	95,108	2,963,611
Public works	1,346,443	-	-	1,346,443
Community services	140,617	-	127,902	268,519
Water and sewer	-	-	592,410	592,410
Landfill	-	-	543,383	543,383
Dock	-	-	662,758	662,758
Boat harbor	-	-	212,077	212,077
Senior citizen center	-	-	477,217	477,217
Education - contribution to School District	1,300,000	-	-	1,300,000
Debt service:				
Principal	-	-	630,000	630,000
Interest	-	-	546,090	546,090
Capital outlay	-	1,493,490	1,052,616	2,546,106
Total expenditures	<u>7,547,890</u>	<u>1,493,490</u>	<u>4,939,561</u>	<u>13,980,941</u>
Excess (deficiency) of revenues over expenditures	<u>1,389,890</u>	<u>-</u>	<u>(1,014,475)</u>	<u>375,415</u>
Other financing sources (uses):				
Transfers in	-	-	1,248,216	1,248,216
Transfers out	<u>(1,169,771)</u>	<u>-</u>	<u>(78,445)</u>	<u>(1,248,216)</u>
Net other financing sources (uses)	<u>(1,169,771)</u>	<u>-</u>	<u>1,169,771</u>	<u>-</u>
Net change in fund balances	220,119	-	155,296	375,415
Fund balances at beginning of year	<u>4,505,267</u>	<u>172,044</u>	<u>1,866,754</u>	<u>6,544,065</u>
Fund balances at end of year	<u>\$ 4,725,386</u>	<u>172,044</u>	<u>2,022,050</u>	<u>6,919,480</u>

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

CITY OF DILLINGHAM, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

Year Ended June 30, 2015

Net change in fund balances - total governmental funds		\$	375,415
The change in net position reported for governmental activities in the Statement of Activities is different because:			
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.			
Net change in the unfunded pension liability:			
PERS			72,430
Amortization of deferred outflows and inflows of resources:			
PERS			33,235
Changes in deferred inflow and outflow of resources are the results of timing differences in the actuarial report.			
Contributions to the pension plan in the current fiscal year are included in the fund financial statements and are presented as changes in deferred outflows of resources in the government-wide statements.			
PERS			240,648
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.			
Capital outlay		2,561,056	
Depreciation expense		<u>(1,921,018)</u>	640,038
Governmental funds only report revenue from the sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. The net effect of transactions involving capital assets is to decrease net position.			
Cost of assets sold		(502,497)	
Accumulated depreciation of assets sold.		<u>216,996</u>	(285,501)
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 and dock receivable.			
			154,058
The change in the estimated future landfill closure costs does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.			
			(42,000)
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 position. Also, governmental funds report the effect of 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 bonds	\$	630,000	
Acquisition of capital leases		(31,983)	
Payments on capital leases		106,816	
Amortized bond premium		<u>17,284</u>	722,117
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>(276)</u>
Change in net position of governmental activities		\$	<u>1,910,164</u>

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

CITY OF DILLINGHAM, ALASKA

General Fund

Statement of Original and Final Budget to Actual Amounts

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental:				
Federal sources	\$ 430,000	456,844	446,844	(10,000)
State of Alaska	1,055,162	1,051,145	1,767,424	716,279
Local sources:				
Taxes	5,236,000	5,239,500	5,383,222	143,722
Charges for services	1,071,329	1,109,179	1,171,136	61,957
Licenses and permits	27,400	18,700	17,529	(1,171)
Fines and forfeitures	-	12,000	11,631	(369)
Lease and rental income	29,000	29,000	45,116	16,116
Investment income	30,000	30,000	29,072	(928)
Other	106,350	124,900	65,806	(59,094)
Total revenues	<u>7,985,241</u>	<u>8,071,268</u>	<u>8,937,780</u>	<u>866,512</u>
Expenditures:				
Current:				
General government	1,662,067	1,735,066	1,892,327	(157,261)
Public safety	2,735,274	2,749,774	2,868,503	(118,729)
Public works	1,310,606	1,331,268	1,346,443	(15,175)
Community services	152,372	142,372	140,617	1,755
Education	1,300,000	1,300,000	1,300,000	-
Total expenditures	<u>7,160,319</u>	<u>7,258,480</u>	<u>7,547,890</u>	<u>(289,410)</u>
Excess (deficiency) of revenues over expenditures	<u>824,922</u>	<u>812,788</u>	<u>1,389,890</u>	<u>577,102</u>
Other financing sources(uses):				
Transfers in	42,200	42,200	-	(42,200)
Transfers out	<u>(1,067,931)</u>	<u>(1,070,914)</u>	<u>(1,169,771)</u>	<u>(98,857)</u>
Total net other financing sources(uses)	<u>(1,025,731)</u>	<u>(1,028,714)</u>	<u>(1,169,771)</u>	<u>(141,057)</u>
Net change in fund balance	<u>\$ (200,809)</u>	<u>(215,926)</u>	220,119	<u>436,045</u>
Fund balance at beginning of year			<u>4,505,267</u>	
Fund balance at end of year			\$ <u>4,725,386</u>	

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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, Alaska (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.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not presently have any business-type activities. 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) charges to customers who purchase, use or directly benefit from goods or services provided by a given function or department and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or department. Other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

C. 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 primary operating fund of the City. It accounts for all financial resources of the City, except those reported to be accounted for in another fund.

The *Landfill Capital Project Fund* accounts for the construction of the new landfill and closure of the existing landfill.

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

D. 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 the 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

E. 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 position. 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.

F. 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.

G. Prepaid Items

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

H. 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.

I. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the Fund Financial Statements and are eliminated in the preparation of the Government-Wide Financial Statements.

J. 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 as terminated employment).

K. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Assigned fund balance – This classification reflects the amounts constrained by the City’s “Intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first then unrestricted resources – committed, assigned, and unassigned – in order as needed.

The City’s Special Revenue Funds are used to account for public safety, community services, water and sewer, landfill, dock, boat harbor and the senior citizen center.

L. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowings, if any, used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantor or laws or regulations of other governments.

M. 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.

N. Unearned 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 unearned revenue.

O. Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees’ Retirement System (PERS) and additions to/from PERS’s fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

P. 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.

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

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

1. Prior to June 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.

III. CASH AND INVESTMENTS

The City of Dillingham, Alaska 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 from/due to other funds."

A. 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, 2015.

Bank deposits	\$ 920,966	Cash and investments	\$ 5,778,553
Investments	<u>4,934,588</u>	Restricted cash and investments	<u>77,001</u>
	\$ <u>5,855,554</u>		\$ <u>5,855,554</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

B. Investment Policy

The City's investment policy authorizes investments in:

1. Obligations of, or obligations insured or guaranteed by the United States of an agency or instrumentality of the United States.
2. Certificates of deposit, repurchase agreements, bankers acceptances and other similar obligations or a bank domiciled in the United States that has an outstanding debt rated at least "A" or its equivalent, by a nationally recognized rating service.
3. 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.

C. 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 investment maturities in general investments are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Alaska Municipal League Investment Pool	\$ 201,940	201,940	-
Certificates of Deposit	3,197,525	986,013	2,211,512
Alaska Municipal Bonds	245,366	245,366	-
Federal National Mortgage Association – U.S. Agency Security	786,192	248,432	537,760
Money Market	258,586	258,586	-
Fixed Income Securities	244,979	244,979	-
Total	\$ 4,934,588	2,185,316	2,749,272

D. 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 the U.S. government agencies are rated AAA by Moody's Investors Service and Municipal Bonds are rated A.

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool and is rated AAA 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

Custodial Credit Risk

The City maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, the City maintains a collateralization agreement with a financial institution. At June 30, 2015 the City's cash deposits were fully insured.

For an investment, this is a risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments held by the City are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer per financial institution. At June 30, 2015 the City's investment balances over the insurance limit were uninsured and uncollateralized.

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land and land improvements	\$ 4,862,446	-	-	4,862,446
Construction in progress	6,835,140	1,676,874	4,307,619	4,204,395
Total assets not being depreciated	11,697,586	1,676,874	4,307,619	9,066,841
Capital assets being depreciated:				
Buildings	23,578,510	1,028,388	-	24,606,898
Improvements other than buildings	26,852,860	3,335,233	-	30,188,093
Machinery and equipment	7,639,925	828,180	502,497	7,965,608
Total capital assets being depreciated	58,071,295	5,191,801	502,497	62,760,599
Less accumulated depreciated for:				
Buildings	6,687,373	648,918	-	7,336,291
Improvements other than buildings	10,992,630	851,224	-	11,843,854
Machinery and equipment	3,834,816	420,876	216,996	4,038,696
Total accumulated depreciated	21,514,819	1,921,018	216,996	23,218,841
Total capital assets being being depreciated, net	36,556,476	3,270,783	285,501	39,541,758
Governmental activity capital assets, net	\$ 48,254,062	4,947,657	4,593,120	48,608,599

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Depreciation expense was charged to the functions as follows:

General government	\$ 62,500
Public safety	134,901
Public works	131,121
Community services	8,205
Water and sewer	381,658
Boat harbor	233,449
Dock	285,491
Senior citizen center	12,749
Landfill	130,969
Education	<u>539,975</u>
Total depreciation expense	\$ <u>1,921,018</u>

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A schedule of interfund balances and transfers for the year ended June 30, 2015, follows:

Due From Other Funds

Due to the General Fund from:

Other governmental funds for advances to cover operating and capital costs	\$ 550,319
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Due to Other Funds

Due to Other Governmental Funds from:

General Fund to cover operating costs	1,643,912
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Due to Landfill Capital Project Fund from:

General Fund to cover operating costs	<u>50,360</u>
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Total due to/from other funds	\$ <u><u>2,244,591</u></u>
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Transfers

From General Fund to:

Other governmental funds for debt service	353,031
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Other governmental funds to cover operating costs of special revenue funds	746,740
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Other governmental funds for capital projects	70,000
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From Dock Special Revenue Fund to Boat Harbor Special Revenue Fund

Revenue Fund to cover deficit	78,410
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From Public Safety Capital Project Fund to Ambulance Reserve Fund	<u>35</u>
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Total transfers	\$ <u><u>1,248,216</u></u>
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CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VI. LONG-TERM 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, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
\$15,105,000 2008 Series One General Obligation School Bonds, due in annual installments of \$600,000 to \$1,120,000, plus interest at 4.0% to 5.0% through April 1, 2028	\$ 11,905,000	-	630,000	11,275,000	665,000
Bond premium	241,981	-	17,284	224,697	17,284
Public works - grader lease	148,991	-	70,009	78,982	72,788
Public works - vehicle lease	30,888	-	7,014	23,874	7,466
Animal control vehicle lease	9,844	-	4,785	5,059	5,059
Public safety vehicle lease (2012)	13,554	-	6,505	7,049	7,050
Two public safety vehicle leases (2013)	49,323	-	11,283	38,040	11,955
Public safety vehicle lease (2015)	-	31,983	7,220	24,763	5,622
Accrued leave (net)	172,206	196,516	196,240	172,482	172,482
Estimated landfill closure costs	79,000	42,000	-	121,000	-
Net pension liability	-	2,822,639	-	2,822,639	-
Total Long-Term Debt	\$ 12,650,787	3,093,138	950,340	14,793,585	964,706

Other long-term liabilities such as accrued leave are generally liquidated by the General Fund and bond premiums are amortized over term of the bond.

The annual requirements to amortize the general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2016	\$ 665,000	514,590	1,179,590
2017	695,000	481,340	1,176,340
2018	725,000	453,540	1,178,540
2019	750,000	424,540	1,174,540
2020	780,000	394,540	1,174,540
2021-2025	4,450,000	1,433,263	5,883,263
2026-2028	3,210,000	324,980	3,534,980
Total	\$ 11,275,000	4,026,793	15,301,793

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VII. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of a grader, a streets vehicle, a vehicle for animal control, and three vehicles for public safety. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The following is a summary of the assets acquired with the capital leases that have an outstanding balance as of June 30, 2015:

	Grader/ Streets Vehicle	Animal Control	Public Safety	Total
Machinery and equipment	\$ 378,251	24,000	138,008	540,259
Less accumulated depreciation	<u>(146,753)</u>	<u>(19,200)</u>	<u>(62,158)</u>	<u>(228,111)</u>
Carrying value	\$ <u>231,498</u>	<u>4,800</u>	<u>75,850</u>	<u>312,148</u>

The following is a schedule of future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2015:

<u>Year Ending June 30,</u>	<u>General Fund</u>
2016	\$ 117,889
2017	36,659
2018	30,444
2019	<u>7,220</u>
Total minimum lease payments	192,212
Less interest portion	<u>(14,445)</u>
Present value of future minimum lease payments	177,767
Less current portion	<u>(109,940)</u>
Total	\$ <u>67,827</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VIII. FUND BALANCES

Fund balances at June 30, 2015, reported in the City's individual major funds and other governmental funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Landfill Capital Project	Other Governmental Funds	Total Governmental Funds
Nonspendable - prepaid	\$ 88,143	-	-	88,143
Restricted:				
Mary Carlson Estate	-	-	382,156	382,156
School Construction	-	-	65,006	65,006
Enhanced 911	-	-	149,008	149,008
Asset forfeiture	-	-	4,113	4,113
Total restricted	-	-	600,283	600,283
Committed:				
Equipment replacement	-	-	151,651	151,651
Ambulance reserve	-	-	616,267	616,267
Capital project planning	-	-	31,826	31,826
Landfill	-	172,044	5,722	177,766
Total committed	-	172,044	805,466	977,510
Assigned:				
Water and Sewer	-	-	58,482	58,482
Dock	-	-	697,233	697,233
Boat harbor	-	-	15,705	15,705
Senior citizen center	-	-	350	350
Total assigned	-	-	771,770	771,770
Unassigned (deficits)	4,637,243	-	(155,469)	4,481,774
Total fund balances	\$ <u>4,725,386</u>	<u>172,044</u>	<u>2,022,050</u>	<u>6,919,480</u>

The restricted funds in the Mary Carlson Permanent Fund are all expendable for repairs, maintenance, and improvements on the existing structure.

In the government-wide net investment in capital assets at June 30, 2015 is made up of the following:

Capital assets, net of accumulated depreciation	\$ 48,608,599
Less:	
Bonds payable	11,275,000
Bond premium	224,697
Capital leases	177,767
Unspent bond proceeds	65,006
Net investment in capital assets	\$ <u>36,866,129</u>

The Dock and Harbor Capital Project Fund has a \$155,469 deficit at year end. The deficit will be covered by a transfer from the General Fund in FY2016.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

IX. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

The current landfill has an estimated life of 50 years, with the installation of new more efficient incinerator equipment, resulting in the landfill lasting longer. Closure and post closure costs are estimated to be \$1,500,000. There is currently \$172,044 set aside in the Landfill Special Revenue Fund. The City will recognize the remaining estimated cost of closure and post closure care cost based on a 50-year life with the finalization of the installation in FY16.

X. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

The City follows Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees and GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. GASB Codification P20 and GASB Codification P50 establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan the systems also administer other post-employment benefit plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature.

Summary of Significant Accounting Policies. The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

<u>Plan Name</u>	<u>Type of Plan</u>
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

Alaska Retiree Healthcare Trust Plan (DB)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

Healthcare Reimbursement Arrangement Plan (DC)

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City participates in the Alaska Public Employees’ Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Public Employee’s Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/dr/pers>.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 159 employers participating in PERS, including the State of Alaska and 158 political subdivisions and public organizations.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Funding Policy. In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2015 the past service rate is 20.90%.

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (3.85% pension costs and 2.90% OPEB) and police and fire employees are required to contribute 7.5% (4.28% pension costs and 3.22% OPEB).

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (12.54 pension costs and 9.46% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 44.03% (25.09% pension and 18.94% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. Note that in 2015, the State legislature appropriated a one-time contribution to the plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 is 42.41% (100% pension costs), which significantly exceeds the statutory amount. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board (GASB)*. Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.90% healthcare discount rate. The current rate is 88.12% (33.05% pension and 55.07% OPEB).

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2015	\$ 240,648	181,541	422,189
2014	204,131	217,945	422,076
2013	197,267	251,530	448,797

For the year ended June 30, 2015 the State of Alaska contributed \$1,306,182 or 42.41% (pension cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date of June 30, 2014 to a total of \$178,929, to represent the on-behalf contribution made by the State under the full accrual basis of accounting.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 2,822,639
State's proportionate share of the net pension liability	<u>2,767,785</u>
Total	\$ <u>5,590,424</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014, the City's proportion was 0.0605%, which is an increase of 0.0005% from its proportion measured as of June 30, 2013.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

As of measurement date June 30, 2014, the City recognized pension expense of \$72,430. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(326,111)
Changes in proportion and differences between City contributions and proportionate share of contributions	159,938	-
City contributions subsequent to the measurement date	<u>240,648</u>	-
Total	<u>\$ 400,586</u>	<u>(326,111)</u>

\$240,648 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (33,235)
2017	(33,235)
2018	(33,235)
2019	<u>(33,233)</u>
Total	<u>\$ (132,938)</u>

For the year ended June 30, 2015, the City recognized \$33,235 of amortization of the deferred inflows and outflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2014 (latest available) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions were based upon the results of an actuarial experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.77%
International Equity	7.50%
Private Equity	10.86%
Fixed Income	2.05%
Real Estate	3.63%
Absolute Return	4.80%

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the System calculated using the discount rate of 8%, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ <u>1,543,256</u>	<u>1,176,987</u>	<u>868,554</u>

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. Cities and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.66% for the retiree medical plan (DB), 0.22% for occupational and death and disability benefits (DB) and 3% of employers average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2015 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution – pension (DC)	\$ 93,255	149,208
Other post-employment benefits (DB):		
Retiree medical plan	30,946	-
Occupational death and disability benefits	7,223	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	72,252	-
Defined benefit unfunded liability (DBUL)	-	-
	<u>\$ 202,676</u>	<u>149,208</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 57% pension and 43% OPEB.

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

	<u>Pensions</u>	<u>Other Post-Employment Benefits</u>	<u>Total</u>
2015	\$ 93,255	109,421	202,676
2014	84,390	75,337	159,727
2013	81,252	72,316	153,568

Actual contributions were equal to the annual required contributions.

XI. 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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

XII. 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 members' annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2015.

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.

XIII. 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, 2015 was \$496,259. 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.

XIV. 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.

The City is being sued for alleged police misconduct. The City's insurer, AML/JIA is defending the case. The outcome of the case is unknown and any potential liability is also unknown at this time.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

XV. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded their final budgets:

<u>Fund</u>	<u>Excess</u>
General Fund:	
General government	\$ 157,261
Public safety	118,729
Public works	15,175
Special Revenue Funds:	
Water and sewer	92,756
Landfill	27,617
Dock	110,860
Enhanced 911	7,130
Senior Citizen Center	<u>49,902</u>
Total expenditures exceeding budgets	\$ <u>579,430</u>

XVI. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note I-P to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS). In 2015, the City adopted the provisions of *GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflows and outflows of resources), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:

Opening net position, as originally presented	\$ 42,443,083
Change in accounting principle adjustment	<u>(3,061,242)</u>
Opening net position, as restated	\$ <u>39,381,841</u>

XVII. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

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

- *GASB 72 – Fair Value Measurement and Application*. Effective for periods beginning after June 15, 2015.
- *GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Effective for fiscal years beginning after June 15, 2015.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective for fiscal years beginning after June 15, 2016.
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective for fiscal years beginning after June 15, 2015.
- GASB 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.

Statements 73, 76 and 77 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 72, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements.

GASB Statements No. 74 and 75. The objective of these statements is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position. Note disclosures and required supplemental information are addressed in these statements. GASB Statement 75 establishes standards for measuring liabilities, deferred inflow and outflows of resources, expenses/expenditures.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF DILLINGHAM, ALASKA

Schedule of City's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System

June 30, 2015

City's proportion of the net pension liability (asset)		0.0605%
City's proportionate share of net pension liability (asset)	\$	2,822,639
State's proportionate share of the net pension liability (asset) associated with the City		<u>2,767,785</u>
Total		<u>5,590,424</u>
City's covered employee payroll	\$	1,627,839
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		173%
Plan fiduciary net position as a percentage of the total pension liability		62.37%

Notes to schedule

1. Information presented for 2015 is based upon Plan measurement date June 30, 2014.
2. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

CITY OF DILLINGHAM, ALASKA
 Schedule of City's Contributions
 Public Employees' Retirement System
 June 30, 2015

Contractually required contribution	\$	240,648
Contributions in relation to the contractually required contribution		(240,648)
Contribution deficiency (excess)		<u>-</u>
City's covered-employee payroll	\$	1,919,043
Contributions as a percentage of covered employee payroll		12.54%

Notes to schedule

1. Valuation date: June 30, 2013
 2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.
- Methods and assumptions used to determine contribution rates:
3. Actuarial cost method: Entry Age Normal.
 4. Amortization method: Level dollar, closed.
 5. Amortization period: 25 years, layered.
 6. Equivalent single amortization period: 17 years.
 7. Asset valuation method: Actuarial value that smoothes investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
 8. Inflation: 3.12% per annum.
 9. Salary increases: Ranges from 6.36% to 4.12% based on service for Peace Officer/Firefighter. Ranges from 9.60% to 3.62% based on age and service for All Others.
 10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
 11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
 12. Mortality: 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality for Peace Officer/Firefighter, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females for pre-termination mortality for All Others and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.
 13. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

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

Years Ended June 30,	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Intergovernmental:				
Federal government:				
Jail capital grant	\$ -	-	-	3,598
Payment in lieu of taxes	446,844	446,844	-	422,987
Other federal grants	10,000	-	(10,000)	-
Total federal government	<u>456,844</u>	<u>446,844</u>	<u>(10,000)</u>	<u>426,585</u>
State of Alaska:				
Revenue sharing	210,165	210,423	258	210,963
Raw fish tax	407,654	407,654	-	276,513
Shared fisheries business tax	30,000	18,357	(11,643)	28,769
Electric and telephone co-op tax	75,000	68,037	(6,963)	77,393
PERS relief	294,526	1,029,484	734,958	318,206
Liquor licenses	6,800	4,900	(1,900)	4,600
Motor vehicle tax	27,000	28,569	1,569	28,376
Total State of Alaska	<u>1,051,145</u>	<u>1,767,424</u>	<u>716,279</u>	<u>944,820</u>
Local sources:				
Taxes:				
Sales taxes	2,700,000	2,703,076	3,076	2,717,734
Alcohol sales taxes	300,000	297,325	(2,675)	309,371
Transient lodging sales taxes	85,000	83,338	(1,662)	85,929
Nushagak raw fish tax	-	15,770	15,770	403,709
Real property taxes	1,500,000	1,615,896	115,896	1,563,927
Payment in lieu of taxes - BBHA	3,500	1,485	(2,015)	3,352
Personal property taxes	500,000	516,624	16,624	524,511
Penalty and interest on property taxes	57,000	62,196	5,196	62,605
Penalty and interest on sales taxes	16,000	18,928	2,928	22,882
Gaming taxes	78,000	68,584	(9,416)	49,509
Total taxes	<u>\$ 5,239,500</u>	<u>5,383,222</u>	<u>143,722</u>	<u>5,743,529</u>

(continued)

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

Years Ended June 30,	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues, continued:				
Local sources, continued:				
Charges for services:				
Contract revenue	\$ 649,300	666,564	17,264	649,300
Commissary	12,000	6,178	(5,822)	4,707
Court deposits	12,000	21,910	9,910	8,611
Fines and fees	4,000	6,009	2,009	5,380
Insurance proceeds	-	711	711	-
Administrative overhead charges	375,029	413,951	38,922	420,179
Document copies	100	261	161	70
Platting and mapping fees	700	1,000	300	450
Ambulance fees	55,000	53,687	(1,313)	48,980
Other	1,050	865	(185)	690
Total charges for services	<u>1,109,179</u>	<u>1,171,136</u>	<u>61,957</u>	<u>1,138,367</u>
Licenses and permits:				
Animal licenses	3,000	1,904	(1,096)	2,784
Business licenses	14,800	14,525	(275)	13,900
Land use permits	900	1,100	200	850
Total licenses and permits	<u>18,700</u>	<u>17,529</u>	<u>(1,171)</u>	<u>17,534</u>
Fines and forfeitures:				
Title 47 fines	<u>12,000</u>	<u>11,631</u>	<u>(369)</u>	<u>11,880</u>
Lease and rental income	<u>29,000</u>	<u>45,116</u>	<u>16,116</u>	<u>30,615</u>
Investment income	<u>30,000</u>	<u>29,072</u>	<u>(928)</u>	<u>37,645</u>
Other revenues:				
DMV commission revenue	50,000	41,965	(8,035)	37,532
Seasonal patrol officer grant	-	-	-	12,669
Trooper dispatch	20,000	20,000	-	20,000
Equipment sales	10,000	-	(10,000)	4,059
Property sales	20,000	-	(20,000)	35,906
Other	24,900	3,841	(21,059)	2,281
Total other revenues	<u>124,900</u>	<u>65,806</u>	<u>(59,094)</u>	<u>112,447</u>
Total revenues	\$ <u>8,071,268</u>	<u>8,937,780</u>	<u>866,512</u>	<u>8,463,422</u>

(continued)

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

Years Ended June 30,	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures:				
General government:				
City council:				
Lobbying	\$ 37,500	36,500	1,000	37,500
Contract labor	7,000	4,532	2,468	-
Annexation project	20,000	18,613	1,387	-
Council contributions	6,000	3,120	2,880	5,190
Subscriptions and memberships	4,664	1,607	3,057	4,558
Telephone	300	233	67	748
Travel	6,000	2,880	3,120	5,796
Training	1,300	670	630	-
Food	750	537	213	978
Supplies	350	362	(12)	248
Minor tools and equipment	-	-	-	1,420
Advertising	3,000	2,447	553	2,035
Total city council	<u>86,864</u>	<u>71,501</u>	<u>15,363</u>	<u>58,473</u>
City clerk:				
Salaries	69,279	71,729	(2,450)	74,812
Employee benefits	52,201	75,196	(22,995)	42,779
Automobile	-	3,947	(3,947)	-
Subscriptions and memberships	220	260	(40)	220
Travel	800	-	800	1,207
Training	460	-	460	460
Supplies	350	487	(137)	623
Elections	3,400	3,126	274	3,193
Codification	3,500	1,406	2,094	4,899
Minor tools and equipment	100	40	60	26
Major equipment	-	1,265	(1,265)	1,415
Total city clerk	<u>130,310</u>	<u>157,456</u>	<u>(27,146)</u>	<u>129,634</u>
City administration:				
Salaries	166,106	169,604	(3,498)	162,168
Overtime salaries	-	257	(257)	218
Employee benefits	124,153	171,259	(47,106)	111,664
Project manager	10,000	5,588	4,412	1,850
Contract labor	-	825	(825)	893
Advertisement	1,000	-	1,000	763
Travel	4,000	6,511	(2,511)	6,396
Subscriptions and memberships	1,200	877	323	460
Supplies	1,300	226	1,074	7,062
Training	2,050	525	1,525	550
Minor tools and equipment	-	473	(473)	1,544
Total city administration	<u>\$ 309,809</u>	<u>356,145</u>	<u>(46,336)</u>	<u>293,568</u>

(continued)

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued				
Finance:				
Salaries	294,476	325,016	(30,540)	281,072
Overtime salaries	4,000	1,934	2,066	4,222
Employee benefits	251,906	339,969	(88,063)	232,374
Accounting services and audit	-	-	-	7,700
Appraisal	23,950	24,016	(66)	22,950
Contract labor	45,000	37,366	7,634	7,855
Advertising	1,500	2,368	(868)	1,726
Subscriptions and memberships	95	95	-	-
Travel	800	304	496	4,445
Training	275	-	275	6,061
Bank charges	3,500	4,473	(973)	3,406
Supplies	3,000	2,721	279	4,306
Computer software	14,500	11,380	3,120	14,892
Minor tools and equipment	1,500	373	1,127	2,390
Total finance	<u>644,502</u>	<u>750,015</u>	<u>(105,513)</u>	<u>593,399</u>
Legal	<u>77,000</u>	<u>58,813</u>	<u>18,187</u>	<u>73,997</u>
Insurance:				
General liability	56,355	56,855	(500)	51,682
Property	28,630	62,121	(33,491)	34,428
Automobile	20,633	22,692	(2,059)	25,118
Claims deductibles	5,000	14,368	(9,368)	4,807
Total insurance	<u>110,618</u>	<u>156,036</u>	<u>(45,418)</u>	<u>116,035</u>
Nondepartmental:				
Contract labor	10,000	8,617	1,383	900
Accounting services and audit	51,000	46,395	4,605	51,532
Advertising	1,500	1,321	179	1,653
Credit card processing fees	68,000	51,376	16,624	57,910
Supplies	10,000	4,283	5,717	25,469
Postage	9,000	11,027	(2,027)	12,777
Telephone	14,000	9,402	4,598	14,944
Internet	6,000	6,333	(333)	5,233
Food	2,500	462	2,038	1,602
Gas, oil and grease	500	572	(72)	1,393
Insurance	-	-	-	922
Vehicle maintenance	600	1,256	(656)	1,593
Copier repair and maintenance	1,000	520	480	-
Computer hardware	-	2,686	(2,686)	112
Computer supplies and software	-	6	(6)	6,817
Computer support services	33,000	28,422	4,578	30,596
Equipment maintenance	4,000	2,444	1,556	2,964
Leased equipment	2,300	2,108	192	1,054
Total nondepartmental	<u>\$ 213,400</u>	<u>177,230</u>	<u>36,170</u>	<u>217,471</u>

(continued)

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
Planning:				
Salaries	\$ 66,847	68,798	(1,951)	71,912
Employee benefits	41,371	58,215	(16,844)	34,461
Contract labor	37,329	22,837	14,492	43,190
Advertising	2,000	1,092	908	847
Subscriptions and memberships	945	940	5	945
Travel	726	726	-	5,377
Training	590	590	-	805
Recording fees	1,455	1,718	(263)	36
Supplies	1,000	1,313	(313)	948
Telephone	300	91	209	241
Total planning	<u>152,563</u>	<u>156,320</u>	<u>(3,757)</u>	<u>158,762</u>
Foreclosed property:				
Legal	5,000	3,444	1,556	40,698
Foreclosure costs	5,000	5,367	(367)	-
Salaries	-	-	-	226
Advertising	-	-	-	1,429
Total foreclosed property	<u>10,000</u>	<u>8,811</u>	<u>1,189</u>	<u>42,353</u>
Total general government	<u>1,735,066</u>	<u>1,892,327</u>	<u>(157,261)</u>	<u>1,683,692</u>
Education -				
contribution to school district	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
Public safety:				
Police dispatch:				
Salaries	225,605	213,531	12,074	210,525
Overtime salaries	40,000	27,603	12,397	33,778
Employee benefits	192,664	247,420	(54,756)	173,109
Travel	1,500	1,889	(389)	262
Training	750	-	750	-
Telephone	5,000	5,250	(250)	420
Internet	-	7,206	(7,206)	5,100
APSIN contract	-	-	-	1,417
Uniforms	750	523	227	570
Required inspections	125	-	125	-
Minor tools and equipment	2,500	2,743	(243)	404
Total police dispatch	<u>\$ 468,894</u>	<u>506,165</u>	<u>(37,271)</u>	<u>425,585</u>

(continued)

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Police department:				
Salaries	\$ 378,088	316,767	61,321	353,916
Overtime salaries	65,000	40,335	24,665	55,585
Employee benefits	310,701	403,600	(92,899)	262,647
Recruiting	8,000	1,379	6,621	4,497
Contract labor and towing	1,000	-	1,000	181
Travel and training	4,500	2,515	1,985	3,816
Supplies	750	924	(174)	70
Uniforms	3,000	2,013	987	2,324
Gas, oil and grease	24,000	35,076	(11,076)	21,933
Vehicle lease	21,750	21,438	312	14,218
Minor tools and equipment	7,500	7,349	151	12,250
Major equipment	-	11,366	(11,366)	-
Vehicle maintenance	20,000	10,970	9,030	22,354
Utilities and telephone	-	1,442	(1,442)	-
Required inspections	-	110	(110)	-
Equipment maintenance	2,000	1,425	575	444
Total police department	<u>846,289</u>	<u>856,709</u>	<u>(10,420)</u>	<u>754,235</u>
Jail:				
Salaries	294,220	296,439	(2,219)	300,408
Overtime salaries	35,000	24,797	10,203	26,808
Employee benefits	228,679	314,953	(86,274)	214,082
Contractual	8,736	-	8,736	-
Insurance	14,055	17,741	(3,686)	21,632
Subscriptions and memberships	300	-	300	-
Travel	2,000	936	1,064	2,782
Training	1,000	150	850	20
Supplies	6,500	8,399	(1,899)	5,529
Uniforms	1,850	811	1,039	1,202
Gas, oil and grease	-	-	-	1,209
Food	35,000	34,883	117	27,909
Minor tools and equipment	3,000	4,241	(1,241)	2,589
Major equipment	5,000	2,864	2,136	2,567
Telephone	4,500	2,867	1,633	1,821
Internet	5,000	6,585	(1,585)	6,416
Electricity	9,750	17,741	(7,991)	12,286
Heating fuel	15,000	17,524	(2,524)	18,840
Water and sewer	1,700	4,482	(2,782)	2,391
Refuse collection	1,700	1,872	(172)	1,668
Janitorial	7,500	14,639	(7,139)	14,001
Building repairs	7,500	2,649	4,851	11,207
Vehicle maintenance	-	-	-	1,614
Equipment maintenance	2,100	1,244	856	8,176
Required inspections	2,500	1,764	736	1,273
Total jail	<u>\$ 692,590</u>	<u>777,581</u>	<u>(84,991)</u>	<u>686,430</u>

(continued)

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Department of motor vehicles:				
Salaries	\$ 78,607	74,643	3,964	77,147
Overtime salaries	1,500	1,185	315	780
Employee benefits	51,314	73,926	(22,612)	40,420
Travel	1,000	-	1,000	2,902
Gas, oil, and grease	-	-	-	18
Telephone	750	513	237	-
Building maintenance	-	36	(36)	-
Minor tools and equipment	1,000	115	885	135
Total department of motor vehicles	<u>134,171</u>	<u>150,418</u>	<u>(16,247)</u>	<u>121,402</u>
Fire department:				
Salaries	112,534	89,634	22,900	72,767
Overtime salaries	-	255	(255)	2,210
Employee benefits	79,864	97,605	(17,741)	56,582
Recruiting	-	-	-	2,547
Contractual	-	1,780	(1,780)	-
Insurance	450	450	-	450
Advertising	500	624	(124)	500
Subscriptions and memberships	800	445	355	654
Travel	1,300	1,297	3	6,054
Training	500	401	99	3,203
Supplies	1,000	918	82	1,281
Postage	300	70	230	430
EMS and fire supplies	7,500	3,720	3,780	10,248
Personal protective equipment	11,500	5,209	6,291	4,167
Public education	500	471	29	-
Ambulance billing	5,000	2,534	2,466	4,289
Gas, oil and grease	3,000	3,895	(895)	1,640
Minor tools and equipment	5,000	-	5,000	10,056
Janitorial	550	-	550	361
Fire department equipment replacement	3,000	341	2,659	-
Building repairs	2,000	2,583	(583)	3,116
Vehicle maintenance	6,000	4,819	1,181	8,416
Telephone	3,000	2,955	45	4,401
Internet	3,500	2,453	1,047	1,464
Electricity	5,000	6,602	(1,602)	4,832
Heating fuel	20,000	19,329	671	24,634
Water and sewer	6,100	6,660	(560)	2,843
Refuse	1,500	1,416	84	1,080
Required inspections	5,200	3,704	1,496	435
Sample testing	300	75	225	75
Medical tests	500	-	500	-
Member recognition	5,500	1,275	4,225	1,611
Airport lease	550	550	-	-
Equipment maintenance	2,000	2,068	(68)	723
Total fire department	<u>\$ 294,448</u>	<u>264,138</u>	<u>30,310</u>	<u>231,069</u>

(continued)

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

Years Ended June 30,	<u>Budget</u>	<u>2015 Actual</u>	<u>Variance</u>	<u>2014 Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	\$ 46,268	49,628	(3,360)	46,567
Overtime salaries	3,000	1,143	1,857	2,732
Employee benefits	33,328	49,205	(15,877)	32,975
Travel	500	-	500	-
Training	500	-	500	-
Supplies	2,000	1,060	940	1,011
Food items	2,000	603	1,397	716
Gas, oil and grease	4,800	2,319	2,481	2,716
Uniforms	500	-	500	287
Minor tools and equipment	1,500	211	1,289	1,463
Major equipment	-	-	-	492
Leased equipment	5,350	5,346	4	5,346
Telephone and internet	1,710	1,088	622	573
Electricity	1,500	1,735	(235)	433
Heating fuel	4,500	2,153	2,347	-
Water and sewer	670	670	-	-
Refuse collection	1,200	1,200	-	1,200
Building rent	-	-	-	20,742
Vehicle maintenance	1,000	235	765	555
Building repairs	3,000	770	2,230	834
Required inspections	-	48	(48)	-
Insurance	-	-	-	1,000
Total animal control	<u>113,326</u>	<u>117,414</u>	<u>(4,088)</u>	<u>119,642</u>
Information technology:				
Minor tools and equipment	\$ -	-	-	6,476
Computer hardware	1,750	1,270	480	-
Computer software	800	-	800	795
Computer support services	19,150	14,551	4,599	6,223
Total information technology	<u>21,700</u>	<u>15,821</u>	<u>5,879</u>	<u>13,494</u>

(continued)

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

Years Ended June 30,	2015		2014	
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Administration:				
Salaries	60,622	61,422	(800)	63,928
Overtime	-	-	-	139
Employee benefits	52,254	68,695	(16,441)	49,443
Advertising	1,500	-	1,500	-
Insurance	14,055	7,063	6,992	12,485
Subscriptions and memberships	500	200	300	210
Travel	2,000	1,640	360	987
Training	1,000	-	1,000	300
Court processing	1,500	569	931	81
Supplies	3,000	2,249	751	1,311
Postage	1,800	1,511	289	1,604
Uniforms	500	120	380	338
Gas, oil and grease	1,000	70	930	491
Vehicle lease	7,700	7,520	180	7,520
Telephone	3,750	6,280	(2,530)	12,125
Internet	6,000	1,482	4,518	328
Electricity	3,250	5,394	(2,144)	2,880
Water and sewer	575	2,178	(1,603)	1,219
Heating fuel	5,000	6,353	(1,353)	7,185
Refuse collection	550	624	(74)	828
Building repairs	2,500	2,337	163	-
Janitorial	7,500	4,550	2,950	3,578
Required inspections	800	-	800	-
Vehicle maintenance	1,000	-	1,000	423
Total administration	<u>178,356</u>	<u>180,257</u>	<u>(1,901)</u>	<u>167,403</u>
Total public safety	\$ <u>2,749,774</u>	<u>2,868,503</u>	<u>(118,729)</u>	<u>2,519,260</u>
Public works:				
Administration:				
Salaries	\$ 123,438	100,154	23,284	90,251
Overtime salaries	-	317	(317)	1,826
Employee benefits	73,306	99,680	(26,374)	58,629
Advertising	700	1,215	(515)	1,573
Subscriptions and memberships	400	543	(143)	558
Travel	1,800	1,866	(66)	992
Training	750	50	700	-
Supplies	1,000	918	82	3,342
Gas, oil and grease	3,000	4,543	(1,543)	2,820
Telephone	1,400	1,690	(290)	1,431
Internet	-	400	(400)	-
Minor tools and equipment	1,000	393	607	6,420
Leased equipment	1,607	3,101	(1,494)	-
Building repairs	-	-	-	282
Vehicle maintenance	1,000	206	794	346
Total administration	<u>209,401</u>	<u>215,076</u>	<u>(5,675)</u>	<u>168,470</u>

(continued)

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Building and grounds maintenance:				
Salaries	112,298	98,478	13,820	99,756
Overtime salaries	6,200	16,415	(10,215)	7,120
Employee benefits	82,948	106,047	(23,099)	63,398
Contract labor	-	900	(900)	-
Training	1,000	89	911	-
Supplies	4,800	3,860	940	1,002
Gas, oil and grease	5,000	4,354	646	4,329
Safety equipment	1,000	1,027	(27)	874
Minor tools and equipment	2,500	1,266	1,234	3,522
Telephone	2,200	1,475	725	1,172
Electricity	9,500	12,558	(3,058)	8,319
Heating fuel	20,000	26,584	(6,584)	41,758
Water and sewer	2,000	1,389	611	1,576
Refuse collection	300	-	300	-
Janitorial	22,000	25,115	(3,115)	22,133
Building repairs	23,800	15,717	8,083	48,658
Vehicle maintenance	3,500	4,394	(894)	2,595
Equipment repairs	1,000	2,943	(1,943)	817
Required inspections	-	597	(597)	-
Total building and grounds maintenance	<u>300,046</u>	<u>323,208</u>	<u>(23,162)</u>	<u>307,029</u>
Shop maintenance:				
Salaries	11,702	13,189	(1,487)	24,750
Overtime salaries	2,800	3,073	(273)	1,207
Employee benefits	84,952	107,043	(22,091)	74,874
Training	19	19	-	-
Supplies	7,000	7,796	(796)	8,999
Gas, oil and grease	3,700	1,990	1,710	1,753
Used oil management	2,000	1,019	981	396
Minor tools and equipment	7,300	8,406	(1,106)	7,009
Safety equipment	2,500	1,772	728	1,064
Telephone	2,000	1,025	975	1,690
Electricity	12,000	12,713	(713)	10,342
Heating fuel	14,845	16,894	(2,049)	18,647
Refuse collection	2,700	2,544	156	2,496
Building repairs	4,000	2,330	1,670	2,961
Vehicle maintenance	2,500	2,210	290	1,116
Required inspections	1,500	995	505	358
Medical testing	-	-	-	56
Equipment maintenance	500	422	78	919
Total shop maintenance	<u>\$ 162,018</u>	<u>183,440</u>	<u>(21,422)</u>	<u>158,637</u>

(continued)

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries	\$ 109,087	72,467	36,620	80,441
Overtime salaries	24,000	21,392	2,608	18,696
Employee benefits	86,115	97,282	(11,167)	69,228
Contractual	29,000	34,939	(5,939)	-
Insurance	10,278	10,278	-	10,278
Training	125	125	-	100
Supplies	6,875	4,854	2,021	2,082
Gas, oil and grease	46,500	49,859	(3,359)	64,560
Salt and calcium	25,283	16,976	8,307	24,199
Street signs	5,500	3,722	1,778	1,356
Road maintenance	82,386	86,064	(3,678)	54,422
Gravel and sand	47,839	50,725	(2,886)	105,779
Minor tools and equipment	6,275	3,554	2,721	1,398
Safety equipment	1,500	942	558	953
Telephone	-	-	-	45
Electricity	26,000	26,456	(456)	17,840
Vehicle maintenance	11,000	9,855	1,145	18,538
Equipment repairs	60,000	57,861	2,139	43,435
Medical tests	-	-	-	136
Leased equipment	82,040	77,368	4,672	89,797
Total streets	<u>659,803</u>	<u>624,719</u>	<u>35,084</u>	<u>603,283</u>
Total public works	<u>1,331,268</u>	<u>1,346,443</u>	<u>(15,175)</u>	<u>1,237,419</u>
Community services:				
Library:				
Salaries	72,863	60,233	12,630	64,286
Overtime salaries	-	527	(527)	706
Employee benefits	37,221	43,086	(5,865)	30,982
Subscriptions and memberships	1,625	1,675	(50)	35
Travel	300	165	135	-
Training	350	25	325	-
Supplies	200	196	4	168
Postage	200	284	(84)	170
Audio visual	1,640	1,569	71	453
Books	1,640	1,990	(350)	1,495
Periodicals	750	729	21	751
Collection preservation	1,000	1,502	(502)	1,004
Summer reading program	500	497	3	508
Minor tools and equipment	-	-	-	495
Telephone	400	494	(94)	401
Internet	208	1,246	(1,038)	208
Electricity	3,000	4,354	(1,354)	2,620
Heating fuel	6,000	5,449	551	6,043
Water and sewer	1,500	1,389	111	1,234
Refuse collection	300	300	-	300
Janitorial	6,000	7,980	(1,980)	5,940
Building repairs	500	376	124	887
Required inspections	200	103	97	-
Software	600	599	1	599
Equipment maintenance	1,800	2,960	(1,160)	1,698
Total library	<u>\$ 138,797</u>	<u>137,728</u>	<u>1,069</u>	<u>120,983</u>

(continued)

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

Years Ended June 30,	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
Community services, continued:				
Meeting hall:				
Telephone	\$ 550	533	17	510
Electricity	1,400	907	493	1,436
Water and sewer	1,225	1,389	(164)	1,215
Janitorial	-	60	(60)	-
Refuse collection	400	-	400	288
Total meeting hall	<u>3,575</u>	<u>2,889</u>	<u>686</u>	<u>3,449</u>
Community development:				
Electricity	-	-	-	511
Total community services	<u>142,372</u>	<u>140,617</u>	<u>1,755</u>	<u>124,943</u>
Total expenditures	<u>7,258,480</u>	<u>7,547,890</u>	<u>(289,410)</u>	<u>6,865,314</u>
Excess (deficiency) of revenues over expenditures	<u>812,788</u>	<u>1,389,890</u>	<u>577,102</u>	<u>1,598,108</u>
Other financing sources (uses):				
Proceeds from sale of assets	-	-	-	1,500
Transfers in	42,200	-	(42,200)	-
Transfers out	<u>(1,070,914)</u>	<u>(1,169,771)</u>	<u>(98,857)</u>	<u>(1,539,361)</u>
Net other financing sources (uses)	<u>(1,028,714)</u>	<u>(1,169,771)</u>	<u>(141,057)</u>	<u>(1,537,861)</u>
Net change in fund balance	\$ <u><u>(215,926)</u></u>	220,119	\$ <u><u>436,045</u></u>	60,247
Fund balance at beginning of year		<u>4,505,267</u>		<u>4,445,020</u>
Fund balance at end of year		\$ <u><u>4,725,386</u></u>		\$ <u><u>4,505,267</u></u>

CITY OF DILLINGHAM, ALASKA
 Other Governmental Funds
 Combining Balance Sheet

June 30, 2015

	Special Revenue Funds										
	Water and Sewer	Landfill	Dock	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Library	Public Safety	Other Local Support	Debt Service Fund
Assets											
Cash and investments	\$ -	100	-	100	-	-	510	-	-	-	-
Receivables:											
Accounts	155,337	10,754	105,840	29,410	-	-	800	-	-	-	8,231
Grants	-	-	-	6,312	-	-	35,661	14,000	44,165	21,993	-
Allowance for uncollectible accounts	(34,830)	(3,488)	-	(5,338)	-	-	-	-	-	-	-
Due from other funds	31,484	16,906	631,529	-	149,008	6,113	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ <u>151,991</u>	<u>24,272</u>	<u>737,369</u>	<u>30,484</u>	<u>149,008</u>	<u>6,113</u>	<u>36,971</u>	<u>14,000</u>	<u>44,165</u>	<u>21,993</u>	<u>8,231</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)											
Liabilities:											
Accounts payable	\$ 17,763	13,665	1,582	8,305	-	2,000	1,935	232	-	-	-
Accrued payroll and related liabilities	5,106	4,885	7,120	4,267	-	-	3,180	-	-	4,113	-
Due to other funds	-	-	-	2,207	-	-	31,506	12,349	44,165	17,880	8,231
Unearned revenue	-	-	-	-	-	-	-	1,419	-	-	-
Total liabilities	<u>22,869</u>	<u>18,550</u>	<u>8,702</u>	<u>14,779</u>	<u>-</u>	<u>2,000</u>	<u>36,621</u>	<u>14,000</u>	<u>44,165</u>	<u>21,993</u>	<u>8,231</u>
Deferred inflows of resources	<u>70,640</u>	<u>-</u>	<u>31,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances(deficits):											
Restricted	-	-	-	-	149,008	4,113	-	-	-	-	-
Committed	-	5,722	-	-	-	-	-	-	-	-	-
Assigned	58,482	-	697,233	15,705	-	-	350	-	-	-	-
Unassigned (deficits)	-	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>58,482</u>	<u>5,722</u>	<u>697,233</u>	<u>15,705</u>	<u>149,008</u>	<u>4,113</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ <u>151,991</u>	<u>24,272</u>	<u>737,369</u>	<u>30,484</u>	<u>149,008</u>	<u>6,113</u>	<u>36,971</u>	<u>14,000</u>	<u>44,165</u>	<u>21,993</u>	<u>8,231</u>

(continued)

CITY OF DILLINGHAM, ALASKA
 Other Governmental Funds
 Combining Balance Sheet, continued

	Capital Project Funds										Mary Carlson Estate Permanent Fund	Total Other Governmental Funds
	Dock and Harbor	Library	School Bonds	Equipment Replacement	Ambulance Reserve	Capital Project Planning	Public Works	Wastewater Treatment Plant	Public Safety	Local Support		
Assets												
Cash and investments	\$ -	-	-	-	-	-	-	-	-	-	390,381	391,091
Receivables:												
Accounts	-	-	-	-	-	-	-	-	-	-	-	310,372
Grants	49,062	10,990	-	-	-	-	88,000	152,318	427	865	-	423,793
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-	(43,656)
Due from other funds	-	-	-	151,651	616,267	31,826	-	-	9,128	-	-	1,643,912
Restricted cash	-	-	77,001	-	-	-	-	-	-	-	-	77,001
Total assets	\$ 49,062	10,990	77,001	151,651	616,267	31,826	88,000	152,318	9,555	865	390,381	2,802,513
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)												
Liabilities:												
Accounts payable	\$ -	101	-	-	-	-	-	34,346	-	-	148	80,077
Accrued payroll and related liabilities	481	662	-	-	-	-	-	-	-	-	-	29,814
Due to other funds	196,845	10,227	11,995	-	-	-	88,000	117,972	-	865	8,077	550,319
Unearned revenue	7,205	-	-	-	-	-	-	-	9,555	-	-	18,179
Total liabilities	204,531	10,990	11,995	-	-	-	88,000	152,318	9,555	865	8,225	678,389
Deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	102,074
Fund balances (deficits):												
Restricted	-	-	65,006	-	-	-	-	-	-	-	382,156	600,283
Committed	-	-	-	151,651	616,267	31,826	-	-	-	-	-	805,466
Assigned	-	-	-	-	-	-	-	-	-	-	-	771,770
Unassigned (deficits)	(155,469)	-	-	-	-	-	-	-	-	-	-	(155,469)
Total fund balances (deficits)	(155,469)	-	65,006	151,651	616,267	31,826	-	-	-	-	382,156	2,022,050
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 49,062	10,990	77,001	151,651	616,267	31,826	88,000	152,318	9,555	865	390,381	2,802,513

CITY OF DILLINGHAM, ALASKA
 Other Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Year Ended June 30, 2015

	Special Revenue Funds											
	Water and Sewer	Landfill	Dock	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Homeland Security	Library	Public Safety	Local Support	Debt Service Fund
Revenues:												
Intergovernmental:												
Federal sources	\$ -	-	-	-	-	-	93,872	3,687	10,994	76,504	-	-
State of Alaska	68,276	55,746	79,500	21,393	-	-	103,531	-	16,194	29,864	-	823,059
Local sources:												
Local assistance	-	-	-	-	-	-	25,000	-	43,798	-	48,104	-
Charges for services	381,697	123,988	652,455	99,633	75,524	-	-	-	-	-	-	-
Lease and rental income	-	-	-	23,554	-	-	28,669	-	-	-	-	-
Investment income (loss)	-	-	4,718	-	1,008	41	-	-	-	-	-	-
Other	18,828	-	9,337	4,792	-	-	13,850	-	-	-	-	-
Total revenues	<u>468,801</u>	<u>179,734</u>	<u>746,010</u>	<u>149,372</u>	<u>76,532</u>	<u>41</u>	<u>264,922</u>	<u>3,687</u>	<u>70,986</u>	<u>106,368</u>	<u>48,104</u>	<u>823,059</u>
Expenditures:												
Current:												
Public safety	-	-	-	-	7,130	2,000	-	3,687	-	81,368	923	-
Community services	-	-	-	-	-	-	-	-	70,986	-	47,181	-
Water and sewer	592,410	-	-	-	-	-	-	-	-	-	-	-
Landfill	-	543,383	-	-	-	-	-	-	-	-	-	-
Dock	-	-	637,758	-	-	-	-	-	-	25,000	-	-
Boat harbor	-	-	-	212,077	-	-	-	-	-	-	-	-
Senior citizen center	-	-	-	-	-	-	477,217	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	1,176,090
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>592,410</u>	<u>543,383</u>	<u>637,758</u>	<u>212,077</u>	<u>7,130</u>	<u>2,000</u>	<u>477,217</u>	<u>3,687</u>	<u>70,986</u>	<u>106,368</u>	<u>48,104</u>	<u>1,176,090</u>
Excess (deficiency) of revenues over expenditures	<u>(123,609)</u>	<u>(363,649)</u>	<u>108,252</u>	<u>(62,705)</u>	<u>69,402</u>	<u>(1,959)</u>	<u>(212,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(353,031)</u>
Other financing sources (uses):												
Transfers in	167,174	366,921	-	78,410	-	-	212,645	-	-	-	-	353,031
Transfers out	-	-	(78,410)	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	<u>167,174</u>	<u>366,921</u>	<u>(78,410)</u>	<u>78,410</u>	<u>-</u>	<u>-</u>	<u>212,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,031</u>
Net change in fund balances	43,565	3,272	29,842	15,705	69,402	(1,959)	350	-	-	-	-	-
Fund balances (deficits) at beginning of year	14,917	2,450	667,391	-	79,606	6,072	-	-	-	-	-	-
Fund balances (deficits) at end of year	<u>\$ 58,482</u>	<u>5,722</u>	<u>697,233</u>	<u>15,705</u>	<u>149,008</u>	<u>4,113</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

CITY OF DILLINGHAM, ALASKA
Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

	Capital Project Funds										Mary Carlson Estate Permanent Fund	Total Other Governmental Funds
	Dock and Harbor	Library	School Bonds	Equipment Replacement	Ambulance Reserve	Capital Project Planning	Public Works	Wastewater Treatment Plant	Public Safety	Local Support		
Revenues:												
Intergovernmental:												
Federal government	\$ -	-	-	-	-	-	-	-	359,495	-	-	544,552
State of Alaska	56,003	45,484	-	-	-	-	183,000	171,203	136,391	-	-	1,789,644
Local sources:												
Local assistance	-	-	-	-	-	-	-	-	-	31,717	-	148,619
Charges for services	-	-	-	-	-	-	-	-	-	-	-	1,333,297
Lease and rental income	-	-	-	-	-	-	-	-	-	-	-	52,223
Investment income (loss)	-	-	426	-	-	-	-	-	-	-	3,730	9,923
Other	21	-	-	-	-	-	-	-	-	-	-	46,828
Total revenues	<u>56,024</u>	<u>45,484</u>	<u>426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,000</u>	<u>171,203</u>	<u>495,886</u>	<u>31,717</u>	<u>3,730</u>	<u>3,925,086</u>
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	95,108
Community services	-	-	-	-	-	-	-	-	-	-	9,735	127,902
Water and sewer	-	-	-	-	-	-	-	-	-	-	-	592,410
Landfill	-	-	-	-	-	-	-	-	-	-	-	543,383
Dock	-	-	-	-	-	-	-	-	-	-	-	662,758
Boat harbor	-	-	-	-	-	-	-	-	-	-	-	212,077
Senior citizen center	-	-	-	-	-	-	-	-	-	-	-	477,217
Debt service	-	-	-	-	-	-	-	-	-	-	-	1,176,090
Capital outlay	56,024	45,484	12,183	19,523	25,713	11,918	183,000	171,203	495,851	31,717	-	1,052,616
Total expenditures	<u>56,024</u>	<u>45,484</u>	<u>12,183</u>	<u>19,523</u>	<u>25,713</u>	<u>11,918</u>	<u>183,000</u>	<u>171,203</u>	<u>495,851</u>	<u>31,717</u>	<u>9,735</u>	<u>4,939,561</u>
Excess (deficiency) of revenues over expenditures	-	-	(11,757)	(19,523)	(25,713)	(11,918)	-	-	35	-	(6,005)	(1,014,475)
Other financing sources (uses) -												
Transfers in	-	-	-	50,000	35	20,000	-	-	-	-	-	1,248,216
Transfers out	-	-	-	-	-	-	-	-	(35)	-	-	(78,445)
Net other financing sources (uses)	-	-	-	50,000	35	20,000	-	-	(35)	-	-	1,169,771
Net change in fund balances	-	-	(11,757)	30,477	(25,678)	8,082	-	-	-	-	(6,005)	155,296
Fund balances (deficits) at beginning of year	(155,469)	-	76,763	121,174	641,945	23,744	-	-	-	-	388,161	1,866,754
Fund balances (deficits) at end of year	<u>\$ (155,469)</u>	<u>-</u>	<u>65,006</u>	<u>151,651</u>	<u>616,267</u>	<u>31,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,156</u>	<u>2,022,050</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 various grants and activities of the Senior Citizen Center.

Homeland Security – this fund accounts for the use of grants received from the Department of Homeland Security.

Library – this fund accounts for the various grants and operating activities of the Public Library.

Public Safety – this fund accounts for use of funds for public safety.

Local Support – this fund accounts for the use of local grants received.

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

Years Ended June 30,	2015		2014	
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 15,487	68,276	52,789	18,071
Local sources:				
Charges for services:				
Water sales	171,923	129,727	(42,196)	155,363
Sewer fees	249,419	251,970	2,551	254,617
Total charges for services	421,342	381,697	(39,645)	409,980
Other	23,000	18,828	(4,172)	14,632
Total revenues	459,829	468,801	8,972	442,683
Expenditures:				
Water:				
Salaries	57,941	54,929	3,012	52,763
Overtime salaries	10,000	16,265	(6,265)	13,557
Employee benefits	53,814	70,522	(16,708)	46,798
Contract labor	-	1,000	(1,000)	338
Insurance	3,859	3,859	-	3,859
Travel and training	1,100	823	277	65
Supplies	4,800	4,686	114	5,850
Gas, oil and grease	2,500	3,705	(1,205)	3,702
Minor tools and equipment	6,500	5,152	1,348	6,319
Utilities and telephone	30,800	48,043	(17,243)	28,325
Building and equipment repairs	4,500	5,681	(1,181)	12,140
Sample testing and inspections	3,100	4,719	(1,619)	3,439
Administrative overhead	36,498	40,603	(4,105)	40,550
Total water	215,412	259,987	(44,575)	217,705
Sewer:				
Salaries	57,940	46,712	11,228	50,153
Overtime salaries	15,000	33,177	(18,177)	18,776
Employee benefits	61,519	90,449	(28,930)	46,020
Contract labor	14,400	5,790	8,610	10,233
Travel and training	1,084	70	1,014	5,278
Supplies	8,000	4,808	3,192	7,472
Chemicals	5,100	7,110	(2,010)	2,006
Gas, oil and grease	4,417	4,864	(447)	4,169
Minor tools and equipment	2,700	2,189	511	1,867
Utilities and telephone	42,950	58,377	(15,427)	32,791
Building and equipment repairs	14,048	16,166	(2,118)	16,242
Sample testing and inspections	9,502	10,460	(958)	11,020
Administrative overhead	47,582	52,251	(4,669)	46,255
Total sewer	284,242	332,423	(48,181)	252,282
Total expenditures	499,654	592,410	(92,756)	469,987
Excess (deficiency) of revenues over expenditures	(39,825)	(123,609)	(83,784)	(27,304)
Other financing sources - transfers in	39,825	167,174	127,349	22,071
Net change in fund balance	\$ -	43,565	43,565	(5,233)
Fund balance at beginning of year		14,917		20,150
Fund balance at end of year		\$ 58,482		14,917

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

Years Ended June 30,	<u>Budget</u>	<u>2015 Actual</u>	<u>Variance</u>	<u>2014 Actual</u>
Revenues:				
Intergovernmental -				
State PERS relief	\$ 14,106	55,746	41,640	16,887
Local sources:				
Local assistance	-	-	-	7,785
Charges for services - landfill fees	165,000	123,988	(41,012)	131,957
Total revenues	<u>179,106</u>	<u>179,734</u>	<u>628</u>	<u>156,629</u>
Expenditures:				
Salaries	121,241	119,953	1,288	136,267
Overtime salaries	8,500	11,372	(2,872)	9,260
Employee benefits	64,997	112,483	(47,486)	76,700
Contractual	65,775	50,548	15,227	-
Insurance	4,911	4,911	-	4,911
Advertising	700	958	(258)	559
Training and travel	581	581	-	2,458
Supplies	4,719	3,351	1,368	3,093
Gravel	19,000	17,600	1,400	12,420
Gas, oil and grease	56,683	69,374	(12,691)	23,245
Minor tools and equipment	9,225	6,031	3,194	2,971
Utilities and telephone	22,000	18,675	3,325	24,455
Building and equipment repairs	19,000	20,615	(1,615)	28,192
Sample testing and inspections	18,983	21,169	(2,186)	35,285
Administrative overhead	99,451	85,762	13,689	80,580
Total expenditures	<u>515,766</u>	<u>543,383</u>	<u>(27,617)</u>	<u>440,396</u>
Excess (deficiency) of revenues over expenditures	(336,660)	(363,649)	(26,989)	(283,767)
Other financing sources - transfers in	336,660	366,921	30,261	283,767
Net change in fund balance	\$ <u>-</u>	3,272	<u>3,272</u>	-
Fund balance at beginning of year		<u>2,450</u>		<u>2,450</u>
Fund balance at end of year		\$ <u><u>5,722</u></u>		<u><u>2,450</u></u>

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

Years Ended June 30,	2015		Variance	2014
	Budget	Actual		Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 19,327	79,500	60,173	23,897
Local sources:				
Charges for services:				
Wharfage and handling	350,000	540,002	190,002	359,112
Docking	60,000	51,882	(8,118)	58,026
Labor income	3,500	2,416	(1,084)	2,540
Equipment rental	30,000	16,709	(13,291)	49,857
Fuel flowage fees	24,000	41,446	17,446	68,450
Total charges for services	467,500	652,455	184,955	537,985
Local assistance	-	-	-	319
Investment income	500	4,718	4,218	6,689
Other	3,000	9,337	(6,337)	672
Total revenues	490,327	746,010	243,009	569,562
Expenditures:				
Dock:				
Salaries	154,426	146,085	8,341	143,583
Overtime salaries	30,580	47,220	(16,640)	40,768
Employee benefits	129,825	183,977	(54,152)	118,482
Contract labor	15,000	-	15,000	11,843
Insurance	26,000	26,000	-	26,000
Travel and training	2,400	2,463	(63)	2,258
Supplies	501	1,616	(1,115)	1,271
Gravel	24,000	24,000	-	24,000
Gas, oil and grease	15,000	26,074	(11,074)	9,648
Minor tools and equipment	13,400	636	12,764	1,331
Utilities and telephone	20,750	23,194	(2,444)	25,001
Building and equipment repairs	5,000	16,451	(11,451)	24,736
Dock repair and maintenance	3,000	15,785	(12,785)	342,889
Inspections	1,200	911	289	716
Administrative overhead	85,816	123,346	(37,530)	118,234
Total expenditures	526,898	637,758	(110,860)	890,760
Excess (deficiency) of revenues over expenditures	(36,571)	108,252	144,823	(321,198)
Other financing sources (uses):				
Insurance proceeds	-	-	-	316,211
Transfers out	(113,616)	(78,410)	35,206	(432,563)
Net other financing sources (uses)	(113,616)	(78,410)	35,206	(116,352)
Net change in fund balance	\$ (150,187)	29,842	180,029	(437,550)
Fund balance at beginning of year		667,391		1,104,941
Fund balance at end of year		\$ 697,233		667,391

CITY OF DILLINGHAM, ALASKA
Boat Harbor Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended June 30,	2015		Variance	2014
	Budget	Actual		Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 7,863	21,393	13,530	7,669
Local sources:				
Charges for services - boat harbor fees	95,000	99,633	4,633	128,210
Lease lots	18,000	23,554	5,554	12,151
Local assistance	-	-	-	6,815
Other	16,500	4,792	(11,708)	12,024
Total revenues	<u>137,363</u>	<u>149,372</u>	<u>12,009</u>	<u>166,869</u>
Expenditures:				
Boat harbor:				
Salaries	72,593	44,118	28,475	48,540
Overtime salaries	6,000	4,114	1,886	6,533
Employee benefits	55,456	44,300	11,156	33,664
Insurance	-	-	-	2,956
Advertising	600	819	(219)	956
Memberships	200	150	50	150
Travel and training	200	-	200	375
Supplies	3,500	4,027	(527)	4,919
Gas, oil and grease	6,500	6,704	(204)	2,475
Minor tools and equipment	3,200	2,678	522	3,408
Utilities and telephone	36,400	39,154	(2,754)	26,204
Janitorial services	5,500	4,700	800	4,600
Building and equipment repairs	23,500	27,417	(3,917)	28,067
Inspections	1,300	393	907	1,251
Administrative overhead	36,030	33,503	2,527	35,334
Total expenditures	<u>250,979</u>	<u>212,077</u>	<u>38,902</u>	<u>199,432</u>
Excess (deficiency) of revenues over expenditures	(113,616)	(62,705)	50,911	(32,563)
Other financing sources - transfers in	<u>113,616</u>	<u>78,410</u>	<u>35,206</u>	<u>32,563</u>
Net change in fund balance	\$ <u>-</u>	15,705	<u>86,117</u>	-
Fund balance at beginning of year		<u>-</u>		<u>-</u>
Fund balance at end of year		\$ <u>15,705</u>		<u>-</u>

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance	Actual
Revenues - charges for services - E911 revenue	\$ 76,000	75,524	(476)	75,365
Investment income	760	1,008	248	584
Total revenues	<u>76,760</u>	<u>76,532</u>	<u>(228)</u>	<u>75,949</u>
Expenditures - public safety - major equipment	-	7,130	(7,130)	4,094
Excess (deficiency) of revenues over expenditures	76,760	69,402	(7,358)	71,855
Other financing sources - transfers out	<u>(42,200)</u>	-	42,200	-
Net change in fund balance	<u>\$ 34,560</u>	69,402	<u>34,842</u>	71,855
Fund balance at beginning of year		<u>79,606</u>		<u>7,751</u>
Fund balance at end of year		<u>\$ 149,008</u>		<u>79,606</u>

CITY OF DILLINGHAM, ALASKA
 Asset Forfeiture Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues - investment income	\$ <u>41</u>	<u>52</u>
Expenditures - public safety:		
Travel	<u>2,000</u>	<u>3,015</u>
Excess (deficiency) of revenues over expenditures	(1,959)	(2,963)
Fund balance at beginning of year	<u>6,072</u>	<u>9,035</u>
Fund balance at end of year	\$ <u><u>4,113</u></u>	<u><u>6,072</u></u>

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

Year Ended June 30,	2015		2014	
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal sources	\$ 86,352	93,872	7,520	94,177
State of Alaska	51,748	51,748	-	44,850
State PERS relief	13,988	51,783	37,795	17,549
Local sources:				
Local assistance	-	25,000	25,000	-
Lease and rental income	28,400	28,669	269	30,087
Other	24,000	13,850	(10,150)	19,919
Total revenues	<u>204,488</u>	<u>264,922</u>	<u>60,434</u>	<u>206,582</u>
Expenditures:				
Nutrition, transportation, and support services:				
Salaries	59,789	59,548	241	60,073
Employee benefits	38,325	37,822	503	37,327
Contract labor	-	-	-	8,708
Insurance	2,000	2,000	-	2,000
Food	13,201	21,397	(8,196)	18,128
Supplies	500	1,673	(1,173)	533
Gas, oil, and grease	13,345	14,416	(1,071)	3,181
Utilities and telephone	5,940	5,940	-	5,940
Minor tools and equipment	1,000	5	995	1,000
Building and equipment repairs	-	1,850	(1,850)	-
Major equipment	-	225	(225)	-
Administrative overhead	-	-	-	2,137
Total nutrition, transportation, and support services	<u>134,100</u>	<u>144,876</u>	<u>(10,776)</u>	<u>139,027</u>
Senior center - operations:				
Salaries	76,630	69,812	6,818	70,642
Employee benefits	77,499	99,186	(21,687)	59,389
Food	16,799	1,677	15,122	11,082
Minor tools and equipment	-	-	-	72
Inspections	1,566	2,215	(649)	1,510
Insurance	8,000	8,000	-	8,000
Supplies	3,375	844	2,531	2,374
Gas, oil, and grease	4,000	6,224	(2,224)	7,229
Building and equipment repairs	8,100	7,098	1,002	14,986
Utilities and telephone	28,360	36,073	(7,713)	35,595
Major equipment	-	26,080	(26,080)	-
Administrative overhead	68,886	75,132	(6,246)	80,216
Total senior center - operations	<u>293,215</u>	<u>332,341</u>	<u>(39,126)</u>	<u>291,095</u>
Total expenditures	<u>427,315</u>	<u>477,217</u>	<u>(49,902)</u>	<u>430,122</u>
Excess (deficiency) of revenues over expenditures	(222,827)	(212,295)	10,532	(223,540)
Other financing sources - transfers in	<u>222,827</u>	<u>212,645</u>	<u>(10,182)</u>	<u>223,540</u>
Net change in fund balance	\$ <u>-</u>	350	<u>350</u>	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ <u>350</u>		-

CITY OF DILLINGHAM, ALASKA
 Homeland Security Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues - intergovernmental - federal sources	\$ <u>3,687</u>	<u>115,198</u>
Expenditures:		
Public safety:		
Advertising	-	407
Major equipment	<u>3,687</u>	<u>114,791</u>
Total expenditures	<u>3,687</u>	<u>115,198</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>

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

Year Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal	\$ 8,000	\$ 10,994	\$ 2,994	15,764
State of Alaska	7,000	16,194	9,194	7,588
Local assistance	58,692	43,798	(14,894)	36,680
Total revenues	<u>73,692</u>	<u>70,986</u>	<u>(2,706)</u>	<u>60,032</u>
Expenditures:				
Community services:				
Salaries	2,000	4,633	(2,633)	8,243
Employee benefits	780	2,477	(1,697)	1,301
Travel and training	2,000	3,000	(1,000)	3,988
Audio visual	2,360	2,450	(90)	2,360
Internet and phone	58,692	49,761	8,931	36,680
Summer reading program	2,500	2,495	5	2,000
Books	5,360	6,170	(810)	5,460
Total expenditures	<u>73,692</u>	<u>70,986</u>	<u>2,706</u>	<u>60,032</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		<u>-</u>		<u>-</u>
Fund balance at end of year		\$ <u>-</u>		<u>-</u>

CITY OF DILLINGHAM, ALASKA
Public Safety Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues:		
Intergovernmental:		
Federal sources	\$ 76,504	670
State of Alaska	<u>29,864</u>	<u>-</u>
Total revenues	<u>106,368</u>	<u>670</u>
Expenditures:		
Public safety:		
Salaries	31,228	586
Gas, oil, grease	-	84
Advertising	614	-
Travel	1,309	-
Equipment	<u>48,217</u>	<u>-</u>
Total public safety	<u>81,368</u>	<u>670</u>
Dock:		
Advertising	598	-
Equipment	<u>24,402</u>	<u>-</u>
Total dock	<u>25,000</u>	<u>-</u>
Total expenditures	<u>106,368</u>	<u>670</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>

CITY OF DILLINGHAM, ALASKA
 Local Support Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues:		
Local assistance	\$ <u>48,104</u>	<u>5,607</u>
Expenditures:		
Public safety:		
Utilities	<u>923</u>	<u>-</u>
Community services:		
Salaries	43,013	4,898
Overtime salaries	2,018	475
Employee benefits	<u>2,150</u>	<u>234</u>
Total community services	<u>47,181</u>	<u>5,607</u>
Total expenditures	<u>48,104</u>	<u>5,607</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental - State of Alaska	\$ 824,488	823,059	(1,429)	823,049
Expenditures:				
Principal	630,000	630,000	-	600,000
Interest	546,090	546,090	-	576,090
Total expenditures	1,176,090	1,176,090	-	1,176,090
Excess (deficiency) of revenues over expenditures	(351,602)	(353,031)	(1,429)	(353,041)
Other financing sources - transfers in	351,602	353,031	1,429	353,041
Net change in fund balance	\$ -	-	-	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ -		-

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 – these funds account for various projects involving the dock and harbor facilities.

Library – this fund accounts for various library improvement projects and grants.

School Bonds – this fund accounts for use of bond generated funds for the 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.

Capital Project Planning – this fund is used for the planning of capital projects.

Public Works – this fund accounts for use of funds for public safety funds and related capital grant funds.

Wastewater Treatment Plant – this fund accounts for capital grants associated with water system improvements.

Public Safety – this fund accounts for use of funds for public safety and related capital grant funds.

Local Support – this fund accounts for the use of local grants received.

CITY OF DILLINGHAM, ALASKA
 Dock and Harbor Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ 56,003	80,528
Local sources - other	21	-
Total revenues	<u>56,024</u>	<u>80,528</u>
 Expenditures - capital outlay - dock	 <u>56,024</u>	 <u>80,528</u>
 Excess of revenues over expenditures	 -	 -
 Fund balance (deficit) at beginning of year	 <u>(155,469)</u>	 <u>(155,469)</u>
 Fund balance (deficit) at end of year	 <u>\$ (155,469)</u>	 <u>(155,469)</u>

CITY OF DILLINGHAM, ALASKA
 Library Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2015

Revenues:		
Intergovernmental -		
State of Alaska	\$	45,484
Expenditures - capital outlay - community services		45,484
Excess of revenues over expenditures		-
Fund balance at beginning of year		-
Fund balance at end of year	\$	-

CITY OF DILLINGHAM, ALASKA
 School Bonds Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues - investment income	\$ 426	785
Expenditures - capital outlay - school building projects	<u>12,183</u>	<u>36,118</u>
Excess (deficiency) of revenues over expenditures	(11,757)	(35,333)
Fund balance at beginning of year	<u>76,763</u>	<u>112,096</u>
Fund balance at end of year	\$ <u><u>65,006</u></u>	<u><u>76,763</u></u>

CITY OF DILLINGHAM, ALASKA
 Equipment Replacement Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues:	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public works	<u>19,523</u>	<u>836,862</u>
Excess (deficiency) of revenues under expenditures	(19,523)	(836,862)
Other financing sources - transfers in	<u>50,000</u>	<u>901,000</u>
Net change in fund balance	30,477	64,138
Fund balance at beginning of year	<u>121,174</u>	<u>57,036</u>
Fund balance at end of year	\$ <u><u>151,651</u></u>	<u><u>121,174</u></u>

CITY OF DILLINGHAM, ALASKA
 Ambulance Reserve Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Local sources - other	\$ <u>-</u>	<u>33,056</u>
Expenditures - capital outlay - public safety	<u>25,713</u>	<u>360</u>
Excess (deficiency) of revenues over expenditures	<u>(25,713)</u>	<u>32,696</u>
Other financing sources (uses):		
Transfer in	35	44,691
Transfer out	<u>-</u>	<u>(35)</u>
Net other financing sources (uses)	<u>35</u>	<u>44,656</u>
Net change in fund balance	(25,678)	77,352
Fund balance at beginning of year	<u>641,945</u>	<u>564,593</u>
Fund balance at end of year	<u>\$ <u>616,267</u></u>	<u><u>641,945</u></u>

CITY OF DILLINGHAM, ALASKA
 Capital Project Planning Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public safety	<u>11,918</u>	<u>16,256</u>
Excess (deficiency) revenues over expenditures	(11,918)	(16,256)
Other financing sources - transfer in	<u>20,000</u>	<u>20,000</u>
Net change in fund balance	8,082	3,744
Fund balance at beginning of year	<u>23,744</u>	<u>20,000</u>
Fund balance at end of year	\$ <u><u>31,826</u></u>	<u><u>23,744</u></u>

CITY OF DILLINGHAM, ALASKA
 Public Works Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:	
Intergovernmental:	
State of Alaska	\$ <u>183,000</u>
Expenditures - capital outlay - public works	<u>183,000</u>
Excess of revenues under expenditures	-
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>

CITY OF DILLINGHAM, ALASKA
Wastewater Treatment Plant Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues:		
Intergovernmental:		
State of Alaska	<u>171,203</u>	<u>1,652,157</u>
Expenditures - capital outlay - public works	<u>171,203</u>	<u>1,652,157</u>
Excess of revenues under expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>

CITY OF DILLINGHAM, ALASKA
Public Safety Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues:		
Intergovernmental:		
Federal sources	\$ 359,495	1,417
State of Alaska	136,391	17,327
Total revenues	<u>495,886</u>	<u>18,744</u>
Expenditures - capital outlay - public safety	<u>495,851</u>	<u>18,779</u>
Excess (deficiency) of revenues under expenditures	<u>35</u>	<u>(35)</u>
Other financing sources (uses):		
Transfers in	-	35
Transfers out	<u>(35)</u>	<u>-</u>
Net other financing sources (uses)	<u>(35)</u>	<u>35</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
 Local Support Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues:		
Grant revenue - local assistance	\$ <u>31,717</u>	<u>213,008</u>
Expenditures - capital outlay - public safety	<u>31,717</u>	<u>213,008</u>
Excess of revenues under expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>-</u></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
 Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2015</u>	<u>2014</u>
Revenues - investment income	\$ <u>3,730</u>	<u>3,643</u>
Expenditures:		
Community services:		
Utilities	5,979	3,395
Administrative overhead	1,621	956
Building repairs	73	-
Advertising	1,232	-
Insurance	<u>830</u>	<u>830</u>
Total expenditures	<u>9,735</u>	<u>5,181</u>
Excess (deficiency) of revenues over expenditures	(6,005)	(1,538)
Fund balance at beginning of year	<u>388,161</u>	<u>389,699</u>
Fund balance at end of year	\$ <u><u>382,156</u></u>	<u><u>388,161</u></u>

CITY OF DILLINGHAM, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expenditures
DEPARTMENT OF COMMERCE				
Passed through State of Alaska Department of Education and Early Development:				
Alaska OWL Project - Internet Technology Aide	02-42-B10560	11.557	\$ 1,304	\$ 1,304
Alaska OWL Project - Internet Technology Aide	OWL-14-728-03	11.557	7,280	690
Total CFDA # 11.557			<u>8,584</u>	<u>1,994</u>
DEPARTMENT OF THE INTERIOR				
Passed through State of Alaska Department of Commerce, Community and Economic Development:				
Payment in Lieu of Taxes	none	15.226	446,844	446,844
DEPARTMENT OF JUSTICE				
Direct:				
Bulletproof Vest Partnership	none	16.607	1,122	427
DEPARTMENT OF MUSEUM AND LIBRARY SERVICES				
Passed through Curyung Tribal Council:				
Native American Library Services Basic Grant	NG-05-12-0110-12	45.311	7,000	7,000
Passed through State of Alaska Department of Education and Early Development:				
Alaska State Library- Continuing Education	none	45.310	1,000	1,000
Alaska State Library- Continuing Education	none	45.310	1,000	1,000
Total CFDA # 45.310			<u>2,000</u>	<u>2,000</u>
Total Department of Museum and Library Services			<u>9,000</u>	<u>9,000</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State of Alaska Department of Health and Social Services:				
Nutrition, Transportation and Support Service	607-309-1508	93.044	36,000	36,000
Nutrition, Transportation and Support Service	607-309-1508	93.045	53,000	53,000
Nutrition Services Incentive Program	none	93.053	4,872	4,872
Total Aging Cluster			<u>93,872</u>	<u>93,872</u>
DEPARTMENT OF HOMELAND SECURITY				
Direct:				
Assistance to Firefighters- Vehicle Acquisition Program	EMW-2012-FV-03840	97.044	384,750	359,068
Passed through State of Alaska Division of Homeland Security and Emergency Management:				
2014 Emergency Management Performance Grant	EMW-2014-EP-00054	97.042	2,673	2,673
2014 State Homeland Security Program	EMW-2014-SS-00098	97.067	74,800	73,831
2013 State Homeland Security Program	EMW-2013-SS-00098	97.067	118,885	3,687
Total CFDA # 97.067			<u>193,685</u>	<u>77,518</u>
Total Department of Homeland Security			<u>581,108</u>	<u>439,259</u>
Total Expenditures of Federal Awards			<u>\$ 1,140,530</u>	<u>\$ 991,396</u>

1 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.

2 The City of Dillingham, Alaska did not pass through any funding to sub-recipients.

CITY OF DILLINGHAM, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2015

	Grant Number	Total Grant Award	State Share of Expenditures
DEPARTMENT OF ADMINISTRATION			
Direct Programs:			
* State PERS Relief	none	\$ 1,306,182	\$ 1,306,182
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT			
Direct Programs:			
* Debt Service - School Bonds	none	823,059	823,059
Public Library Assistance	none	6,650	6,650
Alaska OWL Program	none	9,544	9,544
Total Department of Education and Early Development		<u>839,253</u>	<u>839,253</u>
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT			
Direct Programs:			
* State Revenue Sharing	none	210,423	210,423
City Shoreline Emergency Bank Stabilization	09-DC-449	1,500,000	56,003
Wastewater Treatment Plant Upgrades	13-DC-516	2,280,000	50,789
* E911 Critical System Upgrade	14-DC-046	200,000	133,934
* Landfill Regulatory Compliance Improvements	14-DC-047	1,900,000	1,348,401
Library & Museum Repair	15-RR-052	84,942	45,484
* Designated Legislative Grant	15-RR-058	183,000	183,000
Total Department of Commerce, Community and Economic Development		<u>6,358,365</u>	<u>2,028,034</u>
DEPARTMENT OF REVENUE			
Direct Programs:			
Fisheries Business Tax	none	18,357	18,357
* Raw Fish Tax	none	407,654	407,654
Electric and Telephone Co-op Tax	none	68,037	68,037
Liquor Licenses	none	4,900	4,900
Motor Vehicle Tax	none	28,569	28,569
Total Department of Revenue		<u>527,517</u>	<u>527,517</u>
DEPARTMENT OF ENVIRONMENTAL CONSERVATION			
Direct Programs:			
* Wastewater System Improvements	28307	3,000,000	120,414
DEPARTMENT OF HEALTH AND SOCIAL SERVICES			
Direct Programs:			
Nutrition, Transportation and Support Services	607-309-1508	51,748	51,748
DEPARTMENT OF PUBLIC SAFETY			
Direct Programs:			
State Trooper Training Assistance	none	1,309	1,309
Justice Assistant Grant	15-202	30,254	28,555
Total Department of Public Safety		<u>31,563</u>	<u>29,864</u>
DEPARTMENT OF CORRECTIONS			
Direct Programs:			
Regional and Community Jails Program Capital Projects	none	20,000	2,457
Total State Financial Assistance		<u>\$ 12,134,628</u>	<u>\$ 4,905,469</u>

* Major Program

Basis of Presentation

The accompanying Schedule of State Financial Assistance includes the grant activity of City of Dillingham and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

COMPLIANCE REPORTS

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

Independent Auditor's Report

Honorable Mayor and City Council
City of Dillingham, Alaska
Dillingham, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Dillingham, Alaska's basic financial statements and have issued our report thereon dated March 29, 2016.

Internal Control over Financial Reporting

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

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

Honorable Mayor and City Council
City of Dillingham, Alaska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Federal Schedule of Findings and Questioned Costs as Findings 2015-001 through 2015-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dillingham, Alaska'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*.

City of Dillingham, Alaska's Response to Findings

City of Dillingham, Alaska's responses to the findings identified in our audit are described in the accompanying Federal Schedule of Findings and Questioned Costs and Corrective Action Plan. City of Dillingham, Alaska's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Anchorage, Alaska
March 29, 2016

Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133

Independent Auditor's Report

Honorable Mayor and City Council
City of Dillingham, Alaska
Dillingham, Alaska

Report on Compliance for Each Major Federal Program

We have audited the City of Dillingham, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Dillingham, Alaska's major federal programs for the year ended June 30, 2015. The City of Dillingham, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

The City of Dillingham, Alaska's basic financial statements include the operations of its component unit, Dillingham City School District, which received \$1,372,008 in federal awards, which is not included in the schedule for the year ended June 30, 2015. 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*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dillingham, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dillingham, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Honorable Mayor and City Council
City of Dillingham, Alaska

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Dillingham, Alaska's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Dillingham, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Dillingham, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dillingham, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance 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 the City of Dillingham, Alaska'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and City Council
City of Dillingham, Alaska

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
March 29, 2016

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report? Yes X No

Internal control over financial reporting: Significant deficiency(ies) identified? X Yes None reported; Material weakness(es) identified? X Yes No

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs: Significant deficiency(ies) identified (Section .510 (a)(1))? X Yes None reported; Material weakness(es) identified (Section .510 (a)(1))? X Yes No

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (Section .510 (a)(2))? X Yes No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) (3) or (4)? X Yes No

Identification of major programs:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Rows include 97.044 (Assistance to Firefighters – Vehicle Acquisition Program) and 15.226 (Payment in Lieu of Taxes).

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

Finding 2015-001
Significant Deficiency

Internal Control over Accounts Payable

Condition: Check requests should have proper supporting documentation along with a review and approval before checks are written and signed.

Criteria: Check requests should be reviewed for proper supporting documents before approval.

Context: A check was written for an approved check request that did not have proper supporting documentation.

Cause: The condition arose due to an employee error.

Effect: Checks that are signed without proper review, approval, or supporting documentation creates an opportunity for fraud within the organization.

Recommendation: We recommend that all check requests be reviewed for proper supporting documents before approval. After checks are written, another review of the check request and the supporting documents should be completed before any authorized check signer provides their signature.

Management Response: Management concurs with this finding. See corrective action plan.

Finding 2015-002
Significant Deficiency

Internal Control over Accounts Payable Accrual

Condition: The City of Dillingham did not properly accrue year-end activities to properly reflect accounts payable.

Criteria: The payment and recording of expenditures should be closely monitored. Reporting expenditures in the wrong period may result in inaccurate financial statements or misstatement of liabilities. Invoices need to be reviewed to determine when goods were received or services were performed in order to accurately record them in the correct period.

Context: During the search for unrecorded liabilities, two checks were discovered that were not accrued accurately as a FY15 accounts payable and an expenditure.

Cause: Lack of internal control over year-end closing procedure.

City of Dillingham, Alaska

Schedule of Findings and Questioned Costs, Continued

Effect: Accounts payable and various expenses accounts were understated, before adjustments, in the amount of \$144,526.

Recommendation: The City needs to develop policies and procedures to ensure that invoices received subsequent to year-end and prior to the issuance of the audit report are reviewed to ensure that expenditures incurred prior to year-end are properly accrued as accounts payable.

Management Response: Management concurs with this finding. See corrective action plan.

Finding 2015-003
Significant Deficiency

Internal Control over Financial Reporting and Year End Close

Condition: The balance sheet accounts were not properly reconciled in a timely manner.

Criteria: Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Context: Multiple adjustments were required to bring grant revenue, expenditures, deferrals, and receivables to their proper amounts reported as of and for the year-ended.

Effect: Inadequate tracking and recording of revenue and expenditures could lead to questioned costs and material errors.

Cause: Lack of internal controls relevant to year-end accruals and employee turnover.

Recommendation: We recommend that management design, implement, and maintain internal controls relevant to financial reporting.

Management Response: Management concurs with this finding. See corrective action plan.

City of Dillingham, Alaska

Schedule of Findings and Questioned Costs, Continued

Section III – Federal Award Findings and Questioned Costs

The City of Dillingham, Alaska did not have any findings related to the federal awards.

Section IV – Summary of Prior Audit Findings

The City of Dillingham, Alaska did not have any prior year findings.

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance as Required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits

Independent Auditor's Report

Honorable Mayor and City Council
City of Dillingham, Alaska
Dillingham, Alaska

Report on Compliance for Each Major State Program

We have audited the City of Dillingham, Alaska's compliance 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 the City's major state programs for the year ended June 30, 2015. The City of Dillingham, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

The City of Dillingham, Alaska's basic financial statements include the operations of its component unit, Dillingham City School District, which received \$18,430,434 in state awards, which is not included in the schedule for the year ended June 30, 2015. Our audit, described below, did not include the operations of Dillingham School District because it was subjected to a separate audit in accordance with the Guide.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dillingham, Alaska's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 the City of Dillingham, Alaska's compliance with those requirements and performing such other procedure, as we considered necessary in the circumstances.

Honorable Mayor and City Council
City of Dillingham, Alaska

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Dillingham, Alaska's compliance.

Opinion on Each Major State Program

In our opinion, the City of Dillingham, Alaska 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, 2015.

Report on Internal Control over Compliance

Management of the City of Dillingham, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dillingham, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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 the City of Dillingham, Alaska'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying State Schedule of Findings and Questioned Costs as Finding 2015-004 that we consider to be a significant deficiency.

Honorable Mayor and City Council
City of Dillingham, Alaska

City of Dillingham, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying State Schedule of Findings and Questioned Costs and Corrective Action Plan. City of Dillingham, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Altman, Rogers & Co.".

Anchorage, Alaska
March 29, 2016

CITY OF DILLINGHAM, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Significant deficiency(ies) identified? X Yes None noted

Material weakness(es) identified? Yes X No

Noncompliance material to financial statements noted? Yes X No

State Awards

Internal control over major programs:

Significant deficiency(ies) identified? X Yes None noted

Material weakness(es) identified? Yes X No

Type of auditor’s report issued on compliance
for major programs: Unmodified

Dollar threshold used to distinguish a state major program: \$ 75,000

Section II – Financial Statement Findings

See Federal Schedule of Findings and Questioned Costs.

CITY OF DILLINGHAM, ALASKA

State Schedule of Findings and Questioned Costs, continued

Section III – State Award Findings and Questioned Costs

Finding 2015-004

Internal Control over Accounts Payable

Significant Deficiency

Department: Department of Commerce, Community, and Economic Development, Division of Community and Regional Affairs
Project Title: Landfill Regulatory Compliance Improvements
Grant No.: 14-DC-047

Condition: The City of Dillingham did not properly accrue year-end activities to properly reflect accounts payable.

Criteria: The payment and recording of expenditures should be closely monitored. Reporting expenditures in the wrong period may result in inaccurate financial statements or misstatement of liabilities. Invoices need to be reviewed to determine when goods were received or services were performed in order to accurately record them in the correct period.

Questioned Costs: None.

Context: During the search for unrecorded liabilities, two checks were discovered that were not accrued accurately as a FY15 accounts payable and an expenditure.

Cause: Lack of internal control over year-end closing procedure.

Effect: Accounts payable and various expenditure accounts were understated, before adjustments, in the amount of \$119,423.

Recommendation: The City needs to develop policies and procedures to ensure that invoices received subsequent to year-end and prior to the issuance of the audit report are reviewed to ensure that expenditures incurred prior to year-end are properly accrued as accounts payable.

Management Response: Management concurs with this finding. See corrective action plan.

Section IV – Prior Year Audit Findings

The City of Dillingham, Alaska did not have any prior year findings.

CITY OF DILLINGHAM, ALASKA

Corrective Action Plan

June 30, 2015

Financial Statement Findings

Finding 2015-001

Internal Control over Accounts Payable

Name of Contact: Navin Bissram, Finance Director

Corrective Action Plan: Check requests will be reviewed for proper supporting documentation by both the A/P Technician and the Finance Director before approval.

Proposed Completion Date: In process.

Finding 2015-002

Internal Control over Accounts Payable Accrual

Name of Contact: Navin Bissram, Finance Director

Corrective Action Plan: Invoices received subsequent to year-end will be reviewed by both the A/P Technician and Finance Director to ensure that expenditures incurred prior to year-end are properly accrued as accounts payable.

Proposed Completion Date: In process.

Finding 2015-003

Internal Control over Financial Reporting and Year End Close

Name of Contact: Navin Bissram, Finance Director

Corrective Action Plan: Standard procedure to perform general ledger account reconciliations on a monthly basis will be enforced. Standard procedure to perform grant reconciliations on a quarterly basis will be enforced. This should allow management to prevent, or detect and correct misstatements on a timely basis.

Proposed Completion Date: In process.

CITY OF DILLINGHAM, ALASKA

Corrective Action Plan, Continued

State Award Findings

Finding 2015-004

Internal Control over Accounts Payable

Department:

**Department of Commerce, Community, and Economic
Development, Division of Community and Regional Affairs**

Project Title:

Landfill Regulatory Compliance Improvements

Grant No.:

14-DC-047

Name of Contact:

Navin Bissram, Finance Director

Corrective Action Plan:

Invoices received subsequent to year-end will be reviewed by both the A/P Technician and Finance Director to ensure that expenditures incurred prior to year-end are properly accrued as accounts payable.

Proposed Completion Date:

In process.