

CITY OF DILLINGHAM, ALASKA

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

Year Ended June 30, 2016

CITY OF DILLINGHAM, ALASKA

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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, 2016, and the related notes to the financial statements, which collectively comprise the City of Dillingham, Alaska'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, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Dock Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits*. 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, Alaska

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, Alaska for the year ended June 30, 2015 (not presented herein) and have issued our reported dated March 29, 2016, 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, 2015 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 related directly to the underlying accounting and other records used to prepare the June 30, 2015 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, 2015 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, 2015 combining statements and schedules, individual major and non-major funds 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, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, 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 8, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis
Year Ended June 30, 2016

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, 2016 with comparable information presented for the year ended June 30, 2015. This discussion and analysis should be read in conjunction with the City's financial statements.

Financial Highlights for 2016

- In total, net position exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$40,767,411. Of this amount, \$2,543,971 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position decreased by \$524,594 in 2016.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,839,755, which is a decrease of \$79,725 from the prior year. \$4,012,360 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2016, unassigned fund balance for the General Fund was \$4,125,240 or 59% of total General Fund expenditures.

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.

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 three 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: All 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, the Dock Special Revenue Fund, and the Wastewater Treatment Plant 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 \$40,767,411 at the close of FY2016, 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 (92%) 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>2016</u>	<u>2015</u>
	Governmental	Governmental
	Activities	Activities
Current and other assets	\$ 8,273,881	7,779,768
Long-term and capital assets	49,559,579	48,608,599
Deferred outflows of resources	1,119,267	368,598
Total assets and deferred outflows of resources	<u>58,952,727</u>	<u>56,756,965</u>
Current liabilities	913,386	410,487
Long-term liabilities	17,186,797	14,793,585
Deferred inflows of resources	85,133	260,888
Total liabilities and deferred inflows of resources	<u>18,185,316</u>	<u>15,464,960</u>
Net position		
Net investment in capital assets	37,477,338	36,866,129
Restricted	746,102	535,277
Unrestricted	2,543,971	3,890,599
Total net position	<u>\$ 40,767,411</u>	<u>41,292,005</u>

The majority of net position is restricted for capital assets, net of debt (92% in 2016 and 89% in 2015). A small portion of the City's net position (2% in 2016 and 1% in 2015), 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, Asset Forfeitures, Landfill, Dillingham Police Department Reward, and Local Support. The remaining balance of unrestricted net position of \$2,543,971 in 2016 and \$3,890,599 in 2015 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 \$524,594 in 2016. In 2015, total net position decreased by \$1,151,078.

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	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 2,995,939	2,630,932
Operating grants and contributions	568,035	855,392
Capital grants and contributions	2,057,176	3,299,842
General revenues:		
Taxes:		
Sales taxes	3,081,594	3,099,509
Real and personal property taxes	2,496,326	2,213,644
Gaming taxes	118,382	68,584
Payment in lieu of taxes	446,955	448,329
Grants and entitlements not restricted to a Specific purpose	947,459	461,242
Investment income	76,304	38,995
Other	354,628	266,692
Total revenues	\$ 13,142,798	13,323,161
Expenses:		
General government	2,128,092	1,621,359
Public safety	2,956,338	2,483,209
Public works	1,659,913	1,061,659
Community services	350,769	192,611
Water and sewer	1,181,663	974,068
Landfill	1,298,720	716,352
Dock	1,104,993	1,119,466
Boat Harbor	216,511	445,526
Senior citizen center	408,399	489,966
Education	1,847,404	1,822,691
Interest on long-term debt	514,590	546,090
Total expenses	13,667,392	11,472,997
Increase (decrease) in net position	(524,594)	1,910,164
Net position at beginning of year	41,292,005	42,443,083
Cumulative effect change in accounting principle	-	(3,061,242)
Net position at beginning of year, as restated	41,292,005	39,381,841
Net position at end of year	\$ 40,767,411	41,292,005

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

Governmental Activities

General revenues accounted for most of the City's revenues at 57%, charges for services contributing 23%, operating grants and contributions contributing 4% and capital grant and contributions contributing 16%.

A detail of expenses for governmental activities is as follows:

Function:	2016		2015	
	<u>Expense</u>	<u>Percentage</u>	<u>Expense</u>	<u>Percentage</u>
General government	\$ 2,128,092	16%	1,621,359	14%
Public safety	2,956,338	22%	2,483,209	22%
Public works	1,659,913	12%	1,061,659	9%
Community services	350,769	2%	192,611	2%
Water and sewer	1,181,663	9%	974,068	8%
Landfill	1,298,720	9%	716,352	6%
Dock	1,104,993	8%	1,119,466	10%
Boat Harbor	216,511	2%	445,526	4%
Senior citizen center	408,399	3%	489,966	4%
Education	1,847,404	13%	1,822,691	16%
Interest on long-term debt	514,590	4%	546,090	5%
Total	\$ <u>13,667,392</u>	<u>100%</u>	<u>11,472,997</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, 2016 the City's governmental funds reported combined ending fund balances of \$6,839,755, a decrease of \$79,725 from the prior year. Of this amount \$2,827,395 is non-spendable, restricted, committed, or assigned for specific purposes. \$4,012,360 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2016 and 2015 the unassigned fund balance of the General Fund was \$4,125,240 and \$4,637,243, respectively, which is 90% 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 59% of total General Fund expenditures at June 30, 2016 and 61% as of 2015.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

The fund balance of the City's General Fund decreased by \$153,682 in 2016 compared to an increase of \$220,119 in 2015.

General Fund Budgetary Highlights

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

- Increase in federal sources of \$23,838;
- Increase in State of Alaska funding of \$92,064;
- Overall appropriations increased by \$84,646.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental-type activities as of June 30, 2016 amounts to \$49,559,579 (net of accumulated depreciation), an increase of \$950,980 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:

- Construction of \$1,221,405.
- Machinery and Equipment additions of \$1,884,066.

		<u>2016</u>	<u>2015</u>
Governmental Activities			
(Net of Accumulated Depreciation)			
Land	\$	4,862,446	4,862,446
Construction in progress		5,425,800	4,204,395
Buildings		16,591,527	17,270,607
Machinery and equipment		5,253,539	3,926,912
Improvement other than buildings		17,426,267	18,344,239
Total capital assets	\$	<u>49,559,579</u>	<u>48,608,599</u>

Additional information on the City's capital assets can be found in note 4 on pages 27 through 28 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 \$10,817,413. 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	
	2016	2015
General obligation bonds, including premium	\$ 10,817,413	11,499,697
Public works – grader	6,195	78,982
Public works – vehicle	16,408	23,874
Animal control vehicle lease	-	5,059
Public safety vehicle lease (2012)	-	7,049
Public safety vehicle leases (2013)	26,085	38,040
Public safety vehicle lease (2015)	19,140	24,763
Dock crane lease	1,197,000	-
Net pension liability	4,808,667	2,822,639
Accrued leave (net)	171,779	172,482
Estimated landfill closure costs	124,110	121,000
Total long-term debt	<u>\$ 17,186,797</u>	<u>14,793,585</u>

The City of Dillingham, Alaska’s total debt increased by \$2,393,212 during the current fiscal year.

Additional information on the City of Dillingham, Alaska’s long-term debt can be found in note 6 on page 29 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 FY17 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, 2016

	Primary Government	Component Unit
	Governmental Activities	Dillingham City School District
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Current:		
Cash and investments	\$ 4,881,196	1,231,612
Receivables, net	2,448,343	246,805
Restricted cash and investments	470,928	-
Inventory	-	25,067
Prepaid items	473,414	98,509
Total current	<u>8,273,881</u>	<u>1,601,993</u>
Noncurrent:		
Land and construction in progress	10,288,246	1,078,590
Other capital assets, net of accumulated depreciation	39,271,333	(744,177)
Total noncurrent	<u>49,559,579</u>	<u>334,413</u>
Deferred outflows of resources - Pension deferrals	<u>1,119,267</u>	<u>1,624,186</u>
Total assets and deferred outflows of resources	<u><u>58,952,727</u></u>	<u><u>3,560,592</u></u>
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>		
Liabilities:		
Current:		
Accounts payable	732,056	-
Accrued payroll and related liabilities	155,971	34,145
Due to student groups	-	87,258
Unearned revenue	25,359	127,219
Total current	<u>913,386</u>	<u>248,622</u>
Non-current:		
Due within one year:		
Accrued leave	171,779	-
Bonds	712,284	-
Capital leases	163,587	-
Due in more than one year:		
Net pension liability	4,808,667	6,967,819
Bonds	10,105,129	-
Capital leases	1,101,241	-
Landfill closure costs	124,110	-
Total non-current	<u>17,186,797</u>	<u>6,967,819</u>
Deferred inflows of resources - pension deferrals	<u>85,133</u>	<u>152,463</u>
Total liabilities and deferred inflows of resources	<u><u>18,185,316</u></u>	<u><u>7,368,904</u></u>
Net position:		
Net investment in capital assets	37,477,338	(744,177)
Restricted:		
Mary Carlson Estate	393,280	-
Enhanced 911	175,091	-
Asset forfeitures	2,994	-
Landfill	172,044	-
Dillingham Police Department	400	-
Local support	2,293	-
Unrestricted	2,543,971	(3,064,135)
Total net position	<u>\$ 40,767,411</u>	<u>(3,808,312)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 58,952,727</u></u>	<u><u>3,560,592</u></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, 2016

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	Component
					Governmental Total	Unit Dillingham City School District
Primary government:						
Governmental:						
General government	\$ 2,128,092	592,088	44,965	8,343	(1,482,696)	-
Public safety	2,956,338	679,065	119,279	10,303	(2,147,691)	-
Public works	1,659,913	-	37,389	1,041,019	(581,505)	-
Community services	350,769	-	186,445	27,284	(137,040)	-
Water and sewer	1,181,663	456,554	9,473	-	(715,636)	-
Landfill	1,298,720	132,191	9,586	144,719	(1,012,224)	-
Dock	1,104,993	975,757	16,440	-	(112,796)	-
Boat harbor	216,511	129,324	3,933	-	(83,254)	-
Senior citizen center	408,399	30,960	140,525	-	(236,914)	-
Education	1,847,404	-	-	825,508	(1,021,896)	-
Unallocated interest	514,590	-	-	-	(514,590)	-
Total governmental activities	\$ <u>13,667,392</u>	<u>2,995,939</u>	<u>568,035</u>	<u>2,057,176</u>	<u>(8,046,242)</u>	<u>-</u>
Component Unit - school district - Education	\$ <u>14,378,819</u>	<u>60,706</u>	<u>3,308,203</u>	<u>-</u>	-	(11,009,910)
General revenues:						
Taxes:						
Sales and other taxes				\$ 3,081,594		-
Real and personal property taxes				2,496,326		-
Gaming taxes				118,382		-
Payment in lieu of taxes				446,955		-
Contributions from primary government				-		1,300,000
Grants and entitlements not restricted to a specific purpose				947,459		6,702,765
Investment income				76,304		247
E-Rate				-		956,564
Other				354,628		259,591
Total general revenues				<u>7,521,648</u>		<u>9,219,167</u>
Change in net position					(524,594)	(1,790,743)
Net position at beginning of year					<u>41,292,005</u>	<u>(2,017,569)</u>
Net position at end of year					\$ <u>40,767,411</u>	<u>(3,808,312)</u>

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

CITY OF DILLINGHAM, ALASKA

Balance Sheet - Governmental Funds

June 30, 2016

<u>Assets</u>	<u>General Fund</u>	<u>Dock Special Revenue Fund</u>	<u>Wastewater Treatment Plant Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 4,880,486	-	-	710	4,881,196
Receivables, net of allowance of uncollectible accounts					
Sales taxes	532,687	-	-	-	532,687
Real and personal property taxes	286,897	-	-	-	286,897
Accounts	123,121	282,846	-	173,141	579,108
Grants and shared revenues	-	-	966,946	82,705	1,049,651
Prepaid items	446,464	26,950	-	-	473,414
Due from other funds	893,980	563,209	-	1,270,606	2,727,795
Restricted cash and investments	-	-	-	470,928	470,928
Total assets	\$ 7,163,635	873,005	966,946	1,998,090	11,001,676
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 287,112	68,407	218,294	158,243	732,056
Accrued payroll and payroll liabilities	110,769	14,592	-	30,610	155,971
Due to other funds	1,833,815	-	748,652	145,328	2,727,795
Unearned revenue	-	-	-	25,359	25,359
Total liabilities	<u>2,231,696</u>	<u>82,999</u>	<u>966,946</u>	<u>359,540</u>	<u>3,641,181</u>
Deferred inflows of resources - delinquent property taxes and dock fees	<u>360,235</u>	<u>59,601</u>	<u>-</u>	<u>100,904</u>	<u>520,740</u>
Total liabilities and deferred inflows of resources	<u>2,591,931</u>	<u>142,600</u>	<u>966,946</u>	<u>460,444</u>	<u>4,161,921</u>
Fund Balances:					
Nonspendable	446,464	26,950	-	-	473,414
Restricted	-	-	-	746,102	746,102
Committed	-	-	-	857,814	857,814
Assigned	-	703,455	-	46,610	750,065
Unassigned	4,125,240	-	-	(112,880)	4,012,360
Total fund balances	<u>4,571,704</u>	<u>730,405</u>	<u>-</u>	<u>1,537,646</u>	<u>6,839,755</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 7,163,635	873,005	966,946	1,998,090	11,001,676

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, 2016

Total fund balances for governmental funds		\$	6,839,755
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	5,425,800		
Buildings	24,606,898		
Improvements other than buildings	30,188,093		
Machinery and equipment	9,347,541		
Total capital assets	<u>74,430,778</u>		
Less accumulated depreciation	<u>(24,871,199)</u>		
Total capital assets, net of accumulated depreciation			<u>49,559,579</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>520,740</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	(10,610,000)		
Unamortized bond premium	(207,413)		
Capital leases	(1,264,828)		
Accrued leave	(171,779)		
Landfill closure costs	<u>(124,110)</u>		
Total long-term liabilities			<u>(12,378,130)</u>
Proportionate share of the collective net pension liability:			
PERS			<u>(4,808,667)</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>1,119,267</u>
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources:			
PERS			<u>(85,133)</u>
Total net position of governmental activities		\$	<u><u>40,767,411</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, 2016

	General Fund	Dock Special Revenue Fund	Wastewater Treatment Plant Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
Federal sources	\$ 630,919	-	10,413	126,097	767,429
State of Alaska	888,031	10,933	1,030,606	994,520	2,924,090
Local sources:					
Taxes	5,699,419	-	-	-	5,699,419
Local assistance	-	-	-	263,800	263,800
Charges for services	1,109,416	975,757	-	767,784	2,852,957
Licenses and permits	17,982	-	-	-	17,982
Fines and forfeitures	10,424	-	-	-	10,424
Lease and rental income	64,714	-	-	49,862	114,576
Investment income	56,005	10,048	-	10,251	76,304
Other	125,604	105,278	-	52,807	283,689
Total revenues	<u>8,602,514</u>	<u>1,102,016</u>	<u>1,041,019</u>	<u>2,265,121</u>	<u>13,010,670</u>
Expenditures:					
Current:					
General government	1,763,950	-	-	-	1,763,950
Public safety	2,366,258	-	-	25,086	2,391,344
Public works	1,325,883	-	-	-	1,325,883
Community services	105,012	-	-	181,513	286,525
Water and sewer	-	-	-	722,114	722,114
Landfill	-	-	-	937,109	937,109
Dock	-	606,472	-	-	606,472
Boat harbor	-	-	-	203,762	203,762
Senior citizen center	-	-	-	292,657	292,657
Education - contribution to School District	1,300,000	-	-	-	1,300,000
Debt service:					
Principal	-	-	-	665,000	665,000
Interest	-	-	-	514,590	514,590
Capital outlay	187,081	1,527,425	1,041,019	543,681	3,299,206
Total expenditures	<u>7,048,184</u>	<u>2,133,897</u>	<u>1,041,019</u>	<u>4,085,512</u>	<u>14,308,612</u>
Excess (deficiency) of revenues over expenditures	<u>1,554,330</u>	<u>(1,031,881)</u>	<u>-</u>	<u>(1,820,391)</u>	<u>(1,297,942)</u>
Other financing sources (uses):					
Proceeds from sale of asset	21,217	-	-	-	21,217
Proceeds from lease financing	-	1,197,000	-	-	1,197,000
Transfers in	44,571	-	-	1,905,747	1,950,318
Transfers out	(1,773,800)	(131,947)	-	(44,571)	(1,950,318)
Net other financing sources (uses)	<u>(1,708,012)</u>	<u>1,065,053</u>	<u>-</u>	<u>1,861,176</u>	<u>1,218,217</u>
Net change in fund balances	(153,682)	33,172	-	40,785	(79,725)
Fund balances at beginning of year	<u>4,725,386</u>	<u>697,233</u>	<u>-</u>	<u>1,496,861</u>	<u>6,919,480</u>
Fund balances at end of year	<u>\$ 4,571,704</u>	<u>730,405</u>	<u>-</u>	<u>1,537,646</u>	<u>6,839,755</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 Activities

Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$	(79,725)
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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		(1,986,028)

Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report and adjustments to reflect employer and non-employer contributions based on the measurement date of the liability.	926,424
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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	3,105,471	
Depreciation expense	<u>(2,087,814)</u>	1,017,657

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	(502,133)	
Accumulated depreciation of assets sold.	<u>435,456</u>	(66,677)

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.	70,939
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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.	(3,110)
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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	\$	665,000	
Acquisition of capital leases		(1,197,000)	
Payments on capital leases		109,939	
Amortized bond premium		<u>17,284</u>	(404,777)

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>703</u>
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Change in net position of governmental activities	\$	<u><u>(524,594)</u></u>
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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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental:				
Federal sources	\$ 420,000	443,838	630,919	187,081
State of Alaska	1,150,081	1,242,145	888,031	(354,114)
Local sources:				
Taxes	5,386,000	5,388,000	5,699,419	311,419
Charges for services	940,214	1,000,314	1,109,416	109,102
Licenses and permits	21,600	17,900	17,982	82
Fines and forfeitures	-	12,000	10,424	(1,576)
Lease and rental income	30,000	30,000	64,714	34,714
Investment income	30,000	30,000	56,005	26,005
Other	92,600	98,700	125,604	26,904
Total revenues	<u>8,070,495</u>	<u>8,262,897</u>	<u>8,602,514</u>	<u>339,617</u>
Expenditures:				
Current:				
General government	1,728,239	1,782,685	1,763,950	18,735
Public safety	2,639,013	2,660,813	2,366,258	294,555
Public works	1,452,922	1,484,422	1,325,883	158,539
Community services	147,265	124,165	105,012	19,153
Education	1,300,000	1,300,000	1,300,000	-
Capital outlay	-	-	187,081	(187,081)
Total expenditures	<u>7,267,439</u>	<u>7,352,085</u>	<u>7,048,184</u>	<u>303,901</u>
Excess (deficiency) of revenues over expenditures	<u>803,056</u>	<u>910,812</u>	<u>1,554,330</u>	<u>643,518</u>
Other financing sources (uses):				
Proceeds from the sale of assets	-	-	21,217	21,217
Transfers in	44,571	48,571	44,571	(4,000)
Transfers out	<u>(1,043,201)</u>	<u>(1,685,957)</u>	<u>(1,773,800)</u>	<u>(87,843)</u>
Total net other financing sources (uses)	<u>(998,630)</u>	<u>(1,637,386)</u>	<u>(1,708,012)</u>	<u>(70,626)</u>
Net change in fund balance	\$ <u>(195,574)</u>	<u>(726,574)</u>	<u>(153,682)</u>	<u>572,892</u>
Fund balance at beginning of year			<u>4,725,386</u>	
Fund balance at end of year			\$ <u>4,571,704</u>	

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

CITY OF DILLINGHAM, ALASKA

Dock Special Revenue Fund

Statement of Budget to Actual Amounts

Year Ended June 30, 2016

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Revenues:			
Intergovernmental:			
State of Alaska	\$ 29,059	10,933	(18,126)
Local sources:			
Charges for services	835,500	975,757	140,257
Investment income	500	10,048	9,548
Other	1,500	105,278	103,778
Total revenues	<u>866,559</u>	<u>1,102,016</u>	<u>235,457</u>
Expenditures:			
Current:			
Dock	518,449	606,472	(88,023)
Capital outlay	1,197,000	1,527,425	(330,425)
Total expenditures	<u>1,715,449</u>	<u>2,133,897</u>	<u>(418,448)</u>
Excess (deficiency) of revenues over expenditures	<u>(848,890)</u>	<u>(1,031,881)</u>	<u>(182,991)</u>
Other financing sources (uses):			
Proceeds from lease financing	1,197,000	1,197,000	-
Transfers out	<u>(152,204)</u>	<u>(131,947)</u>	<u>20,257</u>
Total net other financing sources (uses)	<u>1,044,796</u>	<u>1,065,053</u>	<u>20,257</u>
Net change in fund balance	<u>\$ 195,906</u>	33,172	<u>(162,734)</u>
Fund balance at beginning of year		<u>697,233</u>	
Fund balance at end of year		<u>\$ 730,405</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, 2016

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*.

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 *Dock Capital Project Fund* accounts for the operations of the City's docks.

The *Wastewater Treatment Plant Capital Project Fund* accounts for capital grants associated with water system improvements.

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.

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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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.

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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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.

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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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.

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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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, 2016.

Cash and cash equivalents	\$ 5,060,527	Cash and investments	\$ 4,881,196
Investments	<u>291,597</u>	Restricted cash and investments	<u>470,928</u>
	\$ <u>5,352,124</u>		\$ <u>5,352,124</u>

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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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
Federal National Mortgage Association – U.S. Agency Security	\$ <u>291,597</u>	<u>-</u>	<u>291,597</u>

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.

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, 2016 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, 2016 the City's investment balances over the insurance limit were uninsured and uncollateralized.

E. Fair Value of Financial Instruments

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. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximate their fair value due to the short-term nature of these assets and liabilities, except for the City's investments. The carrying amount of the City's investments are determined based on quoted market prices.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

The carrying amount of notes receivable and notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Federal National Mortgage				
Association - US Agency Security	\$ <u>291,597</u>	<u>291,597</u>	<u>-</u>	<u>-</u>

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 4,862,446	-	-	4,862,446
Construction in progress	<u>4,204,395</u>	<u>1,221,405</u>	<u>-</u>	<u>5,425,800</u>
Total assets not being depreciated	<u>9,066,841</u>	<u>1,221,405</u>	<u>-</u>	<u>10,288,246</u>
Capital assets being depreciated:				
Buildings	24,606,898	-	-	24,606,898
Improvements other than buildings	30,188,093	-	-	30,188,093
Machinery and equipment	<u>7,965,608</u>	<u>1,884,066</u>	<u>502,133</u>	<u>9,347,541</u>
Total capital assets being depreciated	<u>62,760,599</u>	<u>1,884,066</u>	<u>502,133</u>	<u>64,142,532</u>
Less accumulated depreciated for:				
Buildings	7,336,291	679,080	-	8,015,371
Improvements other than buildings	11,843,854	917,972	-	12,761,826
Machinery and equipment	<u>4,038,696</u>	<u>490,762</u>	<u>435,456</u>	<u>4,094,002</u>
Total accumulated depreciated	<u>23,218,841</u>	<u>2,087,814</u>	<u>435,456</u>	<u>24,871,199</u>
Total capital assets being depreciated, net	<u>39,541,758</u>	<u>(203,748)</u>	<u>66,677</u>	<u>39,271,333</u>
Governmental activity capital assets, net	\$ <u>48,608,599</u>	<u>1,017,657</u>	<u>66,677</u>	<u>49,559,579</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Depreciation expense was charged to the functions as follows:

General government	\$ 67,951
Public safety	135,155
Public works	134,085
Community services	8,205
Water and sewer	459,549
Boat harbor	237,501
Dock	352,189
Senior citizen center	12,749
Landfill	115,742
Education	<u>564,688</u>
Total depreciation expense	<u>\$ 2,087,814</u>

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A schedule of interfund balances and transfers for the year ended June 30, 2016 is as follows:

Due From Other Funds

Due to the General Fund from:

Other governmental funds for advances to cover operating and capital costs	\$ 145,328
Wastewater treatment plant for advances to cover capital costs	748,652

Due to Other Funds

Due to Dock Special Revenue Fund from:

General Fund to cover operating costs	563,209
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Due to Other Governmental Funds from:

General Fund to cover operating costs	<u>1,270,606</u>
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Total due to/from other funds \$ 2,727,795

Transfers

From General Fund to:

Other governmental funds for debt service	354,082
Other governmental funds to cover operating costs of special revenue funds	920,142
Other governmental funds for capital projects	499,576

From Enhanced 911 Special Revenue Fund to General Fund for operating costs

44,571

From Dock Special Revenue Fund to Harbor and other governmental funds for operating costs

131,947

Total transfers \$ 1,950,318

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, 2016:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
\$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	\$ 11,275,000	-	665,000	10,610,000	695,000
Bond premium	224,697	-	17,284	207,413	17,284
Public works - grader lease	78,982	-	72,787	6,195	6,195
Public works - vehicle lease	23,874	-	7,466	16,408	7,948
Animal control vehicle lease	5,059	-	5,059	-	-
Public safety vehicle lease (2012)	7,049	-	7,049	-	-
Two public safety vehicle leases (2013)	38,040	-	11,955	26,085	12,666
Public safety vehicle lease (2015)	24,763	-	5,623	19,140	5,986
Dock crane	-	1,197,000	-	1,197,000	130,792
Accrued leave (net)	172,482	222,492	223,195	171,779	171,779
Estimated landfill closure costs	121,000	124,110	121,000	124,110	-
Net pension liability	2,822,639	1,986,028	-	4,808,667	-
Total Long-Term Debt	\$ 14,793,585	3,529,630	1,136,418	17,186,797	1,047,650

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, 2016 are as follows:

Year Ending June 30,	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	815,000	361,390	1,176,390
2022-2026	4,655,000	1,231,353	5,886,353
2027-2028	2,190,000	165,500	2,355,500
Total	\$ 10,610,000	3,512,203	14,122,203

The bond premium is amortized over the life of the bond. \$17,284 is amortized each year through April 1, 2028.

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, three vehicles for general public safety and a dock crane. 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, 2016:

	Public Works	Public Safety	Dock	Total
Machinery and equipment	\$ 378,251	162,008	1,497,000	2,037,259
Less accumulated depreciation	(222,403)	(113,760)	(49,900)	(386,063)
Carrying value	\$ 155,848	48,248	1,447,100	1,651,196

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, 2016:

<u>Year Ending June 30.</u>	<u>General Fund</u>
2017	\$ 169,495
2018	163,640
2019	140,416
2020	133,196
2021	133,196
2022-2026	665,979
Total minimum lease payments	1,405,922
Less interest portion	(141,094)
Present value of future minimum lease payments	1,264,828
Less current portion	(163,587)
Total	\$ 1,101,241

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VIII. FUND BALANCES

Fund balances at June 30, 2016, 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	Dock Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable - prepaid	\$ 446,464	26,950	-	473,414
Restricted:				
Enhanced 911	-	-	175,091	175,091
Asset forfeiture	-	-	2,994	2,994
Dillingham Police Department reward	-	-	400	400
Local support	-	-	2,293	2,293
Landfill	-	-	172,044	172,044
Mary Carlson Estate	-	-	393,280	393,280
Total restricted	-	-	746,102	746,102
Committed:				
Equipment replacement	-	-	155,172	155,172
Ambulance reserve	-	-	673,757	673,757
Project planning	-	-	28,885	28,885
Total committed	-	-	857,814	857,814
Assigned:				
Water and sewer	-	-	12,660	12,660
Dock	-	703,455	-	703,455
Boat harbor	-	-	33,950	33,950
Total assigned	-	703,455	46,610	750,065
Unassigned (deficits)	4,125,240		(112,880)	4,012,360
Total fund balances	\$ <u>4,571,704</u>	<u>730,405</u>	<u>1,537,646</u>	<u>6,839,755</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, 2016 is made up of the following:

Capital assets, net of accumulated depreciation	\$ 49,559,579
Less:	
Bonds payable	10,610,000
Bond premium	207,413
Capital leases	1,264,828
Net investment in capital assets	\$ <u>37,477,338</u>

The Landfill and Senior Citizen Center Special Revenue Funds, have deficits of \$74,870 and 38,010, respectively at year end. The deficits will be covered by a transfer from the General Fund in FY2017.

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 \$1,379,000. There is currently \$172,044 set aside in the Landfill Capital Project Fund. The City will recognize the remaining estimated cost of closure and post closure care cost based on a 50-year life. In FY2016 costs of \$121,000 were incurred to close one of the landfill's cells.

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 the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan the system also administers 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. The administrator of the plan is the Commissioner of Administration or the Commissioner's agent.

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's 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 Plan was established and is administered by the State of Alaska, Department of Administration. 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 2016 the past service rate is 16.53%.

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (4.12% pension costs and 2.63% OPEB) and non-teacher City employees are required to contribute 9.60% (5.86% pension and 3.74% OPEB) of their annual covered salary.

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% (13.25% pension costs and 8.75% 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 benefit 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 27.19% (16.59% pension and 10.60% 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. As a result, the On-behalf Contribution Rate for 2016 is 5.19% (3.63% pension and 1.56% OPEB). 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 4.55% healthcare discount rate. The current rate is 96.52% (37.79% pension and 58.73% OPEB).

Employer contributions for the years ended June 30, 2016, 2015 and 2014 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2016	\$	116,122	137,404	253,526
2015		122,218	92,208	214,426
2014		106,259	113,470	219,729

The defined benefit unfunded liability (DBUL) presented under the defined contribution plan includes employer contributions of \$137,404 (pension) and \$90,733 (OPEB).

For the year ended June 30, 2016 the State of Alaska contributed \$167,034 (70% pension cost, 30% OPEB) on-behalf of the City, which has been recorded in the fund financial statement 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 June 30, 2015 to a total of \$178,141, to represent the pension expense attributable to 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, 2016, 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	\$	4,808,667
State's proportionate share of the net pension liability		<u>1,289,971</u>
Total	\$	<u>6,098,638</u>

The net pension liability was measured as of June 30, 2015, 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 the present value of contributions for FY2017 through FY2039, as determined by projections based on the June 30, 2014 valuation. At June 30, 2016, the City's proportion was 0.0992%, which is an increase of 0.0387% from its proportion measured as of June 30, 2015.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Based on the measurement date of June 30, 2015, the City recognized pension expense of \$1,458,013 for the year ended June 30, 2016. At June 30, 2016, 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	\$ 5,605	-
Changes of assumptions	281,168	-
Net difference between projected and actual earnings on pension plan investments	-	(85,133)
Changes in proportion and differences between City contributions and proportionate share of contributions	578,968	-
City contributions subsequent to the measurement date	253,526	-
Total	<u>\$ 1,119,267</u>	<u>(85,133)</u>

\$253,526 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, 2017. 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,	
2017	\$ 735,717
2018	20,673
2019	(54,675)
2020	78,893
Total	<u>\$ 780,608</u>

For the year ended June 30, 2016, the City recognized \$615,811, of amortization of the net deferred outflows and inflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2015 (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 plan calculated using the discount rate of 8%, as well as what the Plans' 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	\$ 6,392,716	4,808,667	3,475,062

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

Plan Description and Funding Requirements. Citys 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. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. 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): 1.68% 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). The administrator of the plan is the Commissioner of Administration or the Commissioner's agent. Total contributions for the year ended June 30, 2016 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution (DC)	\$ 101,015	161,624
Other post-employment benefits (DB):		
Retiree medical plan	33,941	-
Occupational death and disability benefits	8,007	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	73,348	-
Defined benefit unfunded liability (DBUL)	<u>228,137</u>	<u>-</u>
	<u>\$ 444,448</u>	<u>161,624</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 60% pension and 40% OPEB.

Employer contributions for the years ended June 30, 2016, 2015 and 2014 are as follows:

	<u>Contributions /</u>	<u>Other Post-Employment</u>	
	<u>Pensions</u>	<u>Benefits</u>	<u>Total</u>
2016	\$ 238,419	206,029	444,448
2015	211,662	198,777	410,439
2014	213,157	174,902	388,059

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 up to legal limits. No contributions are made by the City. 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, 2016.

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, 2016 was \$405,355. 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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

XV. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures that exceeded their final budgets:

	<u>Amount</u>
Special Revenue Funds:	
Water and sewer	\$ 39,679
Dock	418,448
Library	<u>1,094</u>
Total expenditures exceeding budgets	\$ <u>459,221</u>

Excess of expenditures over appropriations were funded through available revenues or operating transfers through the General Fund.

XVI. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2017, the date which the financial statements were available for issue, and one subsequent event was identified that was necessary to disclose for proper presentation of the financial statements as follows. In November of 2017 the City of Dillingham refinanced their school bond to achieve better terms.

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 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 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.
- GASB 78 – *Pension Provided through Certain Multiple – Employer Defined Benefit Pension Plans*. Effective for fiscal years beginning after December 15, 2015.
- GASB 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. Effective for fiscal years beginning after June 15, 2016.
- GASB 81 – *Irrevocable Split – Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.
- GASB 82 – *Pension Issues – an Amendment of GASB Statement No. 67, No. 68, and No. 73*

Statements, 77, 78, and 81 are not expected to have any significant impact on the financial statements of the Borough.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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, and expenses/expenditures.

GASB Statement No. 80 – This statement amends the blending requirements for the financial statements presentation of component units of all State and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation when the primary government is the sole corporate member.

GASB Statement No. 82 – The objective of this statement is to address certain pension issues. This statement defines covered payroll in required supplementary information as “the payroll on which contributions to a pension plan are based, and the ratios that use that measure”. This statement also addresses classification of employer paid member contributions as being member contributions. Finally this statement addresses selection of assumptions and clarifies that a deviation is not considered in conformity with the requirements of GASB Statements No. 67, No. 68, or No. 73.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF DILLINGHAM, ALASKA

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

Public Employees' Retirement System

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0992%	0.0605%
City's proportionate share of net pension liability (asset)	\$ 4,808,667	2,822,639
State's proportionate share of the net pension liability (asset) associated with the City	<u>1,289,971</u>	<u>2,767,785</u>
Total	<u>6,098,638</u>	<u>5,590,424</u>
City's covered employee payroll	\$ 1,918,860	2,172,967
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	251%	130%
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%

Notes to schedule

1. Information presented for 2016 is based upon Plan measurement date June 30, 2015.
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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 253,526	240,625
Contributions in relation to the contractually required contribution	<u>(253,526)</u>	<u>(240,625)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,913,404	1,918,860
Contributions as a percentage of covered employee payroll	13.25%	12.54%

Notes to schedule

- Valuation date: June 30, 2014
- 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:

- Actuarial cost method: Entry Age Normal.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, layered.
- Equivalent single amortization period: 17 years.
- Asset valuation method: Actuarial value that smoothes investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
- Inflation: 3.12% per annum.
- 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.
- 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%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- 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.
- 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,	2016			2015
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Intergovernmental:				
Federal government:				
Payment in lieu of taxes	\$ 443,838	443,838	-	446,844
Federal surplus property donation	-	187,081	187,081	-
Total federal government	<u>443,838</u>	<u>630,919</u>	<u>187,081</u>	<u>446,844</u>
State of Alaska:				
Revenue sharing	198,898	202,035	3,137	210,423
Raw fish tax	433,564	433,564	-	407,654
Shared fisheries business tax	20,000	27,135	7,135	18,357
Electric and telephone co-op tax	75,000	65,540	(9,460)	68,037
PERS relief	486,183	127,653	(358,530)	1,029,484
Liquor licenses	1,500	4,000	2,500	4,900
Motor vehicle tax	27,000	28,104	1,104	28,569
Total State of Alaska	<u>1,242,145</u>	<u>888,031</u>	<u>(354,114)</u>	<u>1,767,424</u>
Local sources:				
Taxes:				
Sales taxes	2,700,000	2,717,040	17,040	2,703,076
Alcohol sales taxes	300,000	282,164	(17,836)	297,325
Transient lodging sales taxes	85,000	78,449	(6,551)	83,338
Nushagak raw fish tax	-	3,941	3,941	15,770
Real property taxes	1,600,000	1,712,970	112,970	1,615,896
Payment in lieu of taxes - BBHA	2,000	3,117	1,117	1,485
Personal property taxes	550,000	654,603	104,603	516,624
Penalty and interest on property taxes	60,000	56,002	(3,998)	62,196
Penalty and interest on sales taxes	16,000	72,751	56,751	18,928
Gaming taxes	75,000	118,382	43,382	68,584
Total taxes	<u>\$ 5,388,000</u>	<u>5,699,419</u>	<u>311,419</u>	<u>5,383,222</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,	2016			2015
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues, continued:				
Local sources, continued:				
Charges for services:				
Contract revenue	\$ 535,000	534,851	(149)	666,564
Commissary	6,500	6,325	(175)	6,178
Court deposits	20,000	8,138	(11,862)	21,910
Fines and fees	4,500	6,976	2,476	6,009
Insurance proceeds	-	-	-	711
Administrative overhead charges	377,214	503,667	126,453	413,951
Document copies	200	-	(200)	261
Platting and mapping fees	700	150	(550)	1,000
Ambulance fees	55,000	48,277	(6,723)	53,687
Other	1,200	1,032	(168)	865
Total charges for services	<u>1,000,314</u>	<u>1,109,416</u>	<u>109,102</u>	<u>1,171,136</u>
Licenses and permits:				
Animal licenses	2,000	1,407	(593)	1,904
Business licenses	15,000	15,600	600	14,525
Land use permits	900	975	75	1,100
Total licenses and permits	<u>17,900</u>	<u>17,982</u>	<u>82</u>	<u>17,529</u>
Fines and forfeitures:				
Title 47 fines	<u>12,000</u>	<u>10,424</u>	<u>(1,576)</u>	<u>11,631</u>
Lease and rental income	<u>30,000</u>	<u>64,714</u>	<u>34,714</u>	<u>45,116</u>
Investment income	<u>30,000</u>	<u>56,005</u>	<u>26,005</u>	<u>29,072</u>
Other revenues:				
DMV commission revenue	43,000	29,306	(13,694)	41,965
Trooper dispatch	20,000	20,000	-	20,000
Equipment sales	3,000	4,558	1,558	-
Property sales	20,000	46,639	26,639	-
Other	12,700	25,101	12,401	3,841
Total other revenues	<u>98,700</u>	<u>125,604</u>	<u>26,904</u>	<u>65,806</u>
Total revenues	<u>\$ 8,262,897</u>	<u>8,602,514</u>	<u>339,617</u>	<u>8,937,780</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures:				
General government:				
City council:				
Lobbying	\$ 40,000	30,000	10,000	36,500
Contract labor	-	2,280	(2,280)	4,532
Annexation project	15,000	3,495	11,505	18,613
Council contributions	4,000	18,441	(14,441)	3,120
Subscriptions and memberships	4,700	4,086	614	1,607
Telephone	300	393	(93)	233
Travel	6,000	-	6,000	2,880
Training	1,300	1,744	(444)	670
Food	300	860	(560)	537
Supplies	250	217	33	362
Advertising	2,500	1,950	550	2,447
Total city council	<u>74,350</u>	<u>63,466</u>	<u>10,884</u>	<u>71,501</u>
City clerk:				
Salaries	77,899	78,119	(220)	71,729
Employee benefits	53,669	41,561	12,108	75,196
Automobile	-	-	-	3,947
Subscriptions and memberships	220	-	220	260
Supplies	350	-	350	487
Elections	3,400	4,077	(677)	3,126
Codification	3,000	3,921	(921)	1,406
Minor tools and equipment	100	120	(20)	40
Major equipment	-	-	-	1,265
Total city clerk	<u>138,638</u>	<u>127,798</u>	<u>10,840</u>	<u>157,456</u>
City administration:				
Salaries	190,521	197,123	(6,602)	169,604
Overtime salaries	-	174	(174)	257
Employee benefits	136,837	101,096	35,741	171,259
Project manager	10,000	-	10,000	5,588
Contract labor	10,000	3,350	6,650	825
Advertisement	500	442	58	-
Travel	4,000	3,071	929	6,511
Subscriptions and memberships	285	390	(105)	877
Supplies	1,000	633	367	226
Training	1,300	525	775	525
Minor tools and equipment	-	-	-	473
Total city administration	<u>\$ 354,443</u>	<u>306,804</u>	<u>47,639</u>	<u>356,145</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued				
Finance:				
Salaries	\$ 364,110	364,551	(441)	325,016
Overtime salaries	4,000	1,720	2,280	1,934
Employee benefits	248,420	203,710	44,710	339,969
Recruiting	3,000	3,000	-	-
Appraisal	24,860	25,511	(651)	24,016
Contract labor	40,000	40,343	(343)	37,366
Advertising	1,500	468	1,032	2,368
Subscriptions and memberships	95	90	5	95
Travel	800	649	151	304
Bank charges	5,000	17,247	(12,247)	4,473
Supplies	3,000	1,507	1,493	2,721
Computer software	5,000	11,028	(6,028)	11,380
Minor tools and equipment	500	735	(235)	373
Total finance	<u>700,285</u>	<u>670,559</u>	<u>29,726</u>	<u>750,015</u>
Legal	<u>109,000</u>	<u>121,020</u>	<u>(12,020)</u>	<u>58,813</u>
Insurance:				
General liability	61,991	67,433	(5,442)	56,855
Property	33,427	62,894	(29,467)	62,121
Automobile	21,664	30,192	(8,528)	22,692
Claims deductibles	5,000	5,000	-	14,368
Total insurance	<u>122,082</u>	<u>165,519</u>	<u>(43,437)</u>	<u>156,036</u>
Nondepartmental:				
Contract labor	-	-	-	8,617
Accounting services and audit	58,000	69,552	(11,552)	46,395
Advertising	500	364	136	1,321
Credit card processing fees	68,000	46,605	21,395	51,376
Supplies	6,000	6,616	(616)	4,283
Postage	9,000	9,023	(23)	11,027
Telephone	10,000	9,633	367	9,402
Internet	6,174	6,265	(91)	6,333
Food	500	378	122	462
Gas, oil and grease	-	91	(91)	572
Vehicle maintenance	-	2,240	(2,240)	1,256
Copier repair and maintenance	-	-	-	520
Computer hardware	2,500	-	2,500	2,686
Computer supplies and software	-	-	-	6
Computer support services	38,500	32,312	6,188	28,422
Equipment maintenance	2,127	2,665	(538)	2,444
Leased equipment	1,874	1,917	(43)	2,108
Total nondepartmental	<u>\$ 203,175</u>	<u>187,661</u>	<u>15,514</u>	<u>177,230</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
Planning:				
Salaries	\$ 3,376	2,862	514	68,798
Overtime salaries	-	221	(221)	-
Employee benefits	20	1,897	(1,877)	58,215
Contract labor	57,500	22,240	35,260	22,837
Advertising	2,236	403	1,833	1,092
Subscriptions and memberships	1,080	400	680	940
Travel	-	-	-	726
Training	-	-	-	590
Recording fees	200	36	164	1,718
Supplies	1,300	-	1,300	1,313
Telephone	-	49	(49)	91
Total planning	<u>65,712</u>	<u>28,108</u>	<u>37,604</u>	<u>156,320</u>
Foreclosed property:				
Salaries	-	11,039	(11,039)	-
Overtime salaries	-	1,647	(1,647)	-
Employee benefits	-	7,261	(7,261)	-
Contractual	-	28,328	(28,328)	-
Supplies	-	75	(75)	-
Advertising	-	4,232	(4,232)	-
Foreclosure costs	10,000	7,531	2,469	5,367
Legal	5,000	3,657	1,343	3,444
Gas, oil and grease	-	1,487	(1,487)	-
Sample testing	-	200	(200)	-
Building repairs	-	7,655	(7,655)	-
Electricity	-	1,964	(1,964)	-
Refuse collection	-	1,632	(1,632)	-
Heating fuel	-	16,307	(16,307)	-
Total foreclosed property	<u>15,000</u>	<u>93,015</u>	<u>(78,015)</u>	<u>8,811</u>
Total general government	<u>1,782,685</u>	<u>1,763,950</u>	<u>18,735</u>	<u>1,892,327</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	255,204	271,744	(16,540)	213,531
Overtime salaries	36,000	16,018	19,982	27,603
Employee benefits	208,824	169,511	39,313	247,420
Travel	1,500	-	1,500	1,889
Training	2,550	-	2,550	-
Telephone	450	204	246	5,250
Internet	-	-	-	7,206
APSIN contract	1,450	709	741	-
Uniforms	250	293	(43)	523
Minor tools and equipment	1,500	1,599	(99)	2,743
Total police dispatch	<u>\$ 507,728</u>	<u>460,078</u>	<u>47,650</u>	<u>506,165</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Police department:				
Salaries	\$ 450,237	421,245	28,992	316,767
Overtime salaries	60,000	51,570	8,430	40,335
Employee benefits	339,589	223,681	115,908	403,600
Recruiting	3,000	1,952	1,048	1,379
Contract labor and towing	600	370	230	-
Travel and training	3,000	1,826	1,174	2,515
Supplies	400	135	265	924
Uniforms	2,500	3,562	(1,062)	2,013
Gas, oil and grease	-	-	-	35,076
Vehicle lease	21,600	9,628	11,972	21,438
Minor tools and equipment	7,500	6,170	1,330	7,349
Major equipment	-	-	-	11,366
Vehicle maintenance	-	-	-	10,970
Utilities and telephone	-	-	-	1,442
Required inspections	-	-	-	110
Equipment maintenance	1,000	1,449	(449)	1,425
Total police department	<u>889,426</u>	<u>721,588</u>	<u>167,838</u>	<u>856,709</u>
Jail:				
Salaries	319,962	317,644	2,318	296,439
Overtime salaries	25,000	29,926	(4,926)	24,797
Employee benefits	164,208	173,170	(8,962)	314,953
Insurance	18,000	16,067	1,933	17,741
Travel	850	840	10	936
Training	-	50	(50)	150
Supplies	10,100	10,163	(63)	8,399
Uniforms	-	-	-	811
Food	36,883	27,534	9,349	34,883
Minor tools and equipment	-	-	-	4,241
Major equipment	-	-	-	2,864
Telephone	7,600	4,763	2,837	2,867
Internet	4,322	3,465	857	6,585
Electricity	11,200	11,398	(198)	17,741
Heating fuel	7,875	8,163	(288)	17,524
Water and sewer	2,550	3,883	(1,333)	4,482
Refuse collection	950	1,272	(322)	1,872
Janitorial	-	-	-	14,639
Building repairs	-	-	-	2,649
Equipment maintenance	1,800	219	1,581	1,244
Required inspections	1,000	1,256	(256)	1,764
Total jail	<u>\$ 612,300</u>	<u>609,813</u>	<u>2,487</u>	<u>777,581</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Department of motor vehicles:				
Salaries	\$ 29,872	33,612	(3,740)	74,643
Overtime salaries	1,000	19	981	1,185
Employee benefits	23,688	14,728	8,960	73,926
Travel	-	2,283	(2,283)	-
Telephone	-	-	-	513
Building maintenance	-	-	-	36
Minor tools and equipment	250	424	(174)	115
Total department of motor vehicles	<u>54,810</u>	<u>51,066</u>	<u>3,744</u>	<u>150,418</u>
Fire department:				
Salaries	114,382	102,373	12,009	89,634
Overtime salaries	-	808	(808)	255
Employee benefits	80,909	49,356	31,553	97,605
Contractual	-	338	(338)	1,780
Insurance	500	446	54	450
Advertising	700	-	700	624
Subscriptions and memberships	800	400	400	445
Travel	4,000	2,052	1,948	1,297
Training	12,500	9,913	2,587	401
Supplies	1,000	1,140	(140)	918
Postage	300	144	156	70
EMS and fire supplies	7,500	7,852	(352)	3,720
Personal protective equipment	10,000	-	10,000	5,209
Public education	500	555	(55)	471
Ambulance billing	5,000	3,255	1,745	2,534
Gas, oil and grease	-	-	-	3,895
Minor tools and equipment	5,000	1,348	3,652	-
Janitorial	-	37	(37)	-
Fire department equipment replacement	11,000	23,796	(12,796)	341
Building repairs	-	-	-	2,583
Vehicle maintenance	-	11	(11)	4,819
Telephone	3,000	2,751	249	2,955
Internet	3,500	4,038	(538)	2,453
Electricity	6,500	6,614	(114)	6,602
Heating fuel	14,500	8,278	6,222	19,329
Water and sewer	6,100	6,948	(848)	6,660
Refuse	1,500	1,368	132	1,416
Required inspections	1,500	713	787	3,704
Sample testing	350	-	350	75
Medical tests	500	-	500	-
Member recognition	5,500	2,299	3,201	1,275
Airport lease	550	550	-	550
Equipment maintenance	-	-	-	2,068
Total fire department	<u>\$ 297,591</u>	<u>237,383</u>	<u>60,208</u>	<u>264,138</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>2016 Actual</u>	<u>Variance</u>	<u>2015 Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	\$ 51,299	56,603	(5,304)	49,628
Overtime salaries	2,000	2,254	(254)	1,143
Employee benefits	34,032	28,856	5,176	49,205
Subscriptions and memberships	100	-	100	-
Supplies	600	575	25	1,060
Food items	1,200	-	1,200	603
Gas, oil and grease	-	-	-	2,319
Uniforms	300	69	231	-
Minor tools and equipment	1,500	1,109	391	211
Leased equipment	5,350	5,346	4	5,346
Telephone and internet	2,800	2,819	(19)	1,088
Electricity	2,900	3,297	(397)	1,735
Heating fuel	2,400	1,579	821	2,153
Water and sewer	2,200	1,971	229	670
Refuse collection	1,000	1,096	(96)	1,200
Vehicle maintenance	-	-	-	235
Building repairs	-	-	-	770
Required inspections	-	78	(78)	48
Total animal control	<u>107,681</u>	<u>105,652</u>	<u>2,029</u>	<u>117,414</u>
Information technology:				
Computer hardware	1,000	515	485	1,270
Computer software	-	165	(165)	-
Computer support services	13,000	10,965	2,035	14,551
Total information technology	<u>\$ 14,000</u>	<u>11,645</u>	<u>2,355</u>	<u>15,821</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Administration:				
Salaries	\$ 66,166	67,796	(1,630)	61,422
Employee benefits	45,844	38,336	7,508	68,695
Advertising	500	546	(46)	-
Insurance	18,000	16,067	1,933	7,063
Subscriptions and memberships	300	280	20	200
Travel	2,000	144	1,856	1,640
Training	500	-	500	-
Court processing	1,000	510	490	569
Supplies	2,000	840	1,160	2,249
Postage	1,600	1,474	126	1,511
Uniforms	350	147	203	120
Gas, oil and grease	-	-	-	70
Vehicle lease	7,520	7,520	-	7,520
Telephone	7,600	8,411	(811)	6,280
Internet	4,322	2,683	1,639	1,482
Electricity	7,200	11,398	(4,198)	5,394
Water and sewer	2,550	2,884	(334)	2,178
Heating fuel	7,875	8,175	(300)	6,353
Refuse collection	950	1,272	(322)	624
Building repairs	-	-	-	2,337
Janitorial	-	-	-	4,550
Required inspections	1,000	550	450	-
Total administration	<u>177,277</u>	<u>169,033</u>	<u>8,244</u>	<u>180,257</u>
Total public safety	<u>2,660,813</u>	<u>2,366,258</u>	<u>294,555</u>	<u>2,868,503</u>
Public works:				
Administration:				
Salaries	124,518	100,394	24,124	100,154
Overtime salaries	-	779	(779)	317
Employee benefits	78,753	44,182	34,571	99,680
Advertising	500	1,982	(1,482)	1,215
Subscriptions and memberships	350	269	81	543
Travel	400	1,039	(639)	1,866
Training	-	25	(25)	50
Supplies	500	125	375	918
Gas, oil and grease	-	-	-	4,543
Telephone	1,500	1,714	(214)	1,690
Internet	2,200	2,481	(281)	400
Minor tools and equipment	1,229	660	569	393
Leased equipment	1,176	-	1,176	3,101
Equipment maintenance	295	295	-	-
Vehicle maintenance	-	-	-	206
Total administration	<u>\$ 211,421</u>	<u>153,945</u>	<u>57,476</u>	<u>215,076</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Building and grounds maintenance:				
Salaries	\$ 116,321	99,644	16,677	98,478
Overtime salaries	10,000	9,828	172	16,415
Employee benefits	91,057	67,755	23,302	106,047
Contract labor	-	-	-	900
Travel	500	35	465	-
Training	500	25	475	89
Supplies	2,000	1,189	811	3,860
Gas, oil and grease	-	-	-	4,354
Safety equipment	1,500	213	1,287	1,027
Minor tools and equipment	2,500	1,424	1,076	1,266
Telephone	1,200	1,657	(457)	1,475
Electricity	10,000	12,064	(2,064)	12,558
Heating fuel	20,000	14,206	5,794	26,584
Water and sewer	1,500	1,449	51	1,389
Refuse collection	300	-	300	-
Janitorial	47,300	46,229	1,071	25,115
Building repairs	40,500	21,303	19,197	15,717
Vehicle maintenance	-	-	-	4,394
Equipment repairs	-	-	-	2,943
Required inspections	-	108	(108)	597
Total building and grounds maintenance	<u>345,178</u>	<u>277,129</u>	<u>68,049</u>	<u>323,208</u>
Shop maintenance:				
Salaries	61,820	19,212	42,608	13,189
Overtime salaries	2,500	3,239	(739)	3,073
Employee benefits	89,486	65,488	23,998	107,043
Travel	500	210	290	-
Training	500	25	475	19
Supplies	8,000	4,712	3,288	7,796
Gas, oil and grease	88,000	84,593	3,407	1,990
Used oil management	1,500	120	1,380	1,019
Minor tools and equipment	3,500	1,659	1,841	8,406
Safety equipment	1,000	418	582	1,772
Telephone	1,500	613	887	1,025
Electricity	12,000	12,056	(56)	12,713
Heating fuel	10,000	13,733	(3,733)	16,894
Refuse collection	2,300	2,496	(196)	2,544
Building repairs	-	-	-	2,330
Vehicle maintenance	36,800	40,378	(3,578)	2,210
Required inspections	600	1,229	(629)	995
Equipment maintenance	73,000	84,642	(11,642)	422
Total shop maintenance	<u>\$ 393,006</u>	<u>334,823</u>	<u>58,183</u>	<u>183,440</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries	\$ 94,509	102,752	(8,243)	72,467
Overtime salaries	30,000	33,738	(3,738)	21,392
Employee benefits	76,974	64,771	12,203	97,282
Contractual	125,000	133,500	(8,500)	34,939
Insurance	11,306	7,082	4,224	10,278
Travel	500	35	465	-
Training	500	405	95	125
Supplies	2,692	1,815	877	4,854
Gas, oil and grease	-	211	(211)	49,859
Salt and calcium	29,246	39,246	(10,000)	16,976
Street signs	4,500	776	3,724	3,722
Road maintenance	15,000	19,980	(4,980)	86,064
Gravel and sand	33,750	33,750	-	50,725
Minor tools and equipment	3,800	4,784	(984)	3,554
Safety equipment	1,000	791	209	942
Electricity	24,000	25,599	(1,599)	26,456
Vehicle maintenance	-	-	-	9,855
Equipment repairs	-	954	(954)	57,861
Leased equipment	82,040	89,797	(7,757)	77,368
Total streets	<u>534,817</u>	<u>559,986</u>	<u>(25,169)</u>	<u>624,719</u>
Total public works	<u>1,484,422</u>	<u>1,325,883</u>	<u>158,539</u>	<u>1,346,443</u>
Community services:				
Library:				
Salaries	75,399	67,907	7,492	60,233
Overtime salaries	-	5	(5)	527
Employee benefits	25,775	15,514	10,261	43,086
Subscriptions and memberships	1,625	1,615	10	1,675
Travel	-	24	(24)	165
Training	-	-	-	25
Supplies	400	582	(182)	196
Postage	200	206	(6)	284
Audio visual	700	743	(43)	1,569
Books	1,200	24	1,176	1,990
Periodicals	750	791	(41)	729
Collection preservation	1,200	402	798	1,502
Summer reading program	500	1,248	(748)	497
Minor tools and equipment	1,100	34	1,066	-
Telephone	400	545	(145)	494
Internet	416	1,995	(1,579)	1,246
Electricity	4,000	3,750	250	4,354
Heating fuel	4,000	2,530	1,470	5,449
Water and sewer	1,400	1,449	(49)	1,389
Refuse collection	300	300	-	300
Janitorial	-	-	-	7,980
Building repairs	-	-	-	376
Required inspections	200	48	152	103
Software	600	599	1	599
Equipment maintenance	1,000	1,804	(804)	2,960
Total library	<u>\$ 121,165</u>	<u>102,115</u>	<u>19,050</u>	<u>137,728</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,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Community services, continued:				
Meeting hall:				
Telephone	\$ 550	548	2	533
Electricity	1,000	900	100	907
Water and sewer	1,300	1,449	(149)	1,389
Janitorial	150	-	150	60
Total meeting hall	3,000	2,897	103	2,889
Total community services	124,165	105,012	19,153	140,617
Capital outlay:	-	187,081	(187,081)	-
Total expenditures	7,352,085	7,048,184	303,901	7,547,890
Excess of revenues over expenditures	910,812	1,554,330	643,518	1,389,890
Other financing sources (uses):				
Proceeds from sale of assets	-	21,217	21,217	-
Transfers in	48,571	44,571	(4,000)	-
Transfers out	(1,685,957)	(1,773,800)	(87,843)	(1,169,771)
Net other financing sources (uses)	(1,637,386)	(1,708,012)	(70,626)	(1,169,771)
Net change in fund balance	\$ (726,574)	(153,682)	572,892	220,119
Fund balance at beginning of year		4,725,386		4,505,267
Fund balance at end of year		\$ 4,571,704		4,725,386

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

Years Ended June 30,	2016			2015
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 29,059	10,933	(18,126)	79,500
Local sources:				
Charges for services:				
Wharfage and handling	625,000	699,335	74,335	540,002
Docking	95,000	121,454	26,454	51,882
Labor income	8,000	8,410	410	2,416
Equipment rental	57,500	59,552	2,052	16,709
Fuel flowage fees	50,000	87,006	37,006	41,446
Total charges for services	835,500	975,757	140,257	652,455
Investment income	500	10,048	9,548	4,718
Other	1,500	105,278	103,778	9,337
Total revenues	866,559	1,102,016	235,457	746,010
Expenditures:				
Dock:				
Salaries	155,045	137,313	17,732	146,085
Overtime salaries	35,000	40,279	(5,279)	47,220
Employee benefits	133,312	131,314	1,998	183,977
Insurance	26,000	26,337	(337)	26,000
Travel and training	500	1,368	(868)	2,463
Supplies	1,000	566	434	1,616
Gravel	-	-	-	24,000
Gas, oil and grease	15,000	12,047	2,953	26,074
Minor tools and equipment	1,000	885	115	636
Utilities and telephone	19,700	16,808	2,892	23,194
Building and equipment repairs	1,431	36,859	(35,428)	16,451
Dock repair and maintenance	32,069	32,615	(546)	15,785
Inspections	1,200	9,325	(8,125)	911
Administrative overhead	97,192	160,756	(63,564)	123,346
Total dock	518,449	606,472	(88,023)	637,758
Capital outlay:				
Major equipment	1,197,000	1,527,425	(330,425)	-
Total expenditures	1,715,449	2,133,897	(418,448)	637,758
Excess (deficiency) of revenues over expenditures	(848,890)	(1,031,881)	(182,991)	108,252
Other financing sources (uses):				
Proceeds from lease financing	1,197,000	1,197,000	-	-
Transfers out	(152,204)	(131,947)	20,257	(78,410)
Net other financing sources (uses)	1,044,796	1,065,053	20,257	(78,410)
Net change in fund balance	\$ 195,906	33,172	(162,734)	29,842
Fund balance at beginning of year		697,233		667,391
Fund balance at end of year		\$ 730,405		697,233

CITY OF DILLINGHAM, ALASKA
 Other Governmental Funds
 Combining Balance Sheet

June 30, 2016

	Special Revenue Funds										
	Water and Sewer	Landfill	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Dillingham Police Department Reward	Library	Public Safety	Local Support	Debt Service Fund
Assets											
Cash and investments	\$ -	100	100	-	-	510	-	-	-	-	-
Receivables:											
Accounts	166,700	7,299	30,996	-	-	850	-	-	-	-	8,255
Grants	-	-	6,312	-	-	6,938	-	20,213	4,041	25,648	-
Allowance for uncollectible accounts	(34,830)	(639)	(5,490)	-	-	-	-	-	-	-	-
Due from other funds	-	52,729	15,510	175,091	2,994	-	400	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ <u>131,870</u>	<u>59,489</u>	<u>47,428</u>	<u>175,091</u>	<u>2,994</u>	<u>8,298</u>	<u>400</u>	<u>20,213</u>	<u>4,041</u>	<u>25,648</u>	<u>8,255</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)											
Liabilities:											
Accounts payable	\$ 11,502	121,995	7,420	-	-	3,008	-	4,440	-	5,821	-
Accrued payroll and related liabilities	5,285	12,364	3,949	-	-	3,422	-	-	-	5,590	-
Due to other funds	3,628	-	-	-	-	19,878	-	15,773	4,041	11,944	8,255
Unearned revenue	-	-	-	-	-	20,000	-	-	-	-	-
Total liabilities	<u>20,415</u>	<u>134,359</u>	<u>11,369</u>	<u>-</u>	<u>-</u>	<u>46,308</u>	<u>-</u>	<u>20,213</u>	<u>4,041</u>	<u>23,355</u>	<u>8,255</u>
Deferred inflows of resources	<u>98,795</u>	<u>-</u>	<u>2,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances(deficits):											
Restricted	-	-	-	175,091	2,994	-	400	-	-	2,293	-
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	12,660	-	33,950	-	-	-	-	-	-	-	-
Unassigned (deficits)	-	(74,870)	-	-	-	(38,010)	-	-	-	-	-
Total fund balances (deficits)	<u>12,660</u>	<u>(74,870)</u>	<u>33,950</u>	<u>175,091</u>	<u>2,994</u>	<u>(38,010)</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,293</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ <u>131,870</u>	<u>59,489</u>	<u>47,428</u>	<u>175,091</u>	<u>2,994</u>	<u>8,298</u>	<u>400</u>	<u>20,213</u>	<u>4,041</u>	<u>25,648</u>	<u>8,255</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	Planning	Landfill	Public Safety	Local Support			
Assets												
Cash and investments	\$ -	-	-	-	-	-	-	-	-	-	-	710
Receivables:												
Accounts	-	-	-	-	-	-	-	-	-	-	-	214,100
Grants	-	542	-	-	-	-	15,251	822	2,938	-	-	82,705
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-	(40,959)
Due from other funds	5,285	-	-	157,514	674,507	28,885	157,691	-	-	-	-	1,270,606
Restricted cash	-	-	77,071	-	-	-	-	-	-	393,857	-	470,928
Total assets	\$ <u>5,285</u>	<u>542</u>	<u>77,071</u>	<u>157,514</u>	<u>674,507</u>	<u>28,885</u>	<u>172,942</u>	<u>822</u>	<u>2,938</u>	<u>393,857</u>	-	<u>1,998,090</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)												
Liabilities:												
Accounts payable	\$ -	-	-	2,342	750	-	898	-	-	67	-	158,243
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	30,610
Due to other funds	-	542	77,071	-	-	-	-	748	2,938	510	-	145,328
Unearned revenue	5,285	-	-	-	-	-	-	74	-	-	-	25,359
Total liabilities	<u>5,285</u>	<u>542</u>	<u>77,071</u>	<u>2,342</u>	<u>750</u>	<u>-</u>	<u>898</u>	<u>822</u>	<u>2,938</u>	<u>577</u>	-	<u>359,540</u>
Deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	100,904
Fund balances (deficits):												
Restricted	-	-	-	-	-	-	172,044	-	-	393,280	-	746,102
Committed	-	-	-	155,172	673,757	28,885	-	-	-	-	-	857,814
Assigned	-	-	-	-	-	-	-	-	-	-	-	46,610
Unassigned (deficits)	-	-	-	-	-	-	-	-	-	-	-	(112,880)
Total fund balances (deficits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,172</u>	<u>673,757</u>	<u>28,885</u>	<u>172,044</u>	<u>-</u>	<u>-</u>	<u>393,280</u>	-	<u>1,537,646</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ <u>5,285</u>	<u>542</u>	<u>77,071</u>	<u>157,514</u>	<u>674,507</u>	<u>28,885</u>	<u>172,942</u>	<u>822</u>	<u>2,938</u>	<u>393,857</u>	-	<u>1,998,090</u>

CITY OF DILLINGHAM, ALASKA
 Other Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Year Ended June 30, 2016

	Special Revenue Funds										
	Water and Sewer	Landfill	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Dillingham Police Department Reward	Library	Public Safety	Local Support	Debt Service Fund
Revenues:											
Intergovernmental:											
Federal sources	\$ -	-	-	-	-	87,743	-	8,213	21,209	-	-
State of Alaska	9,473	9,586	3,933	-	-	52,782	-	24,775	-	-	825,508
Local sources:											
Local assistance	-	-	-	-	-	-	400	76,791	2,500	70,855	-
Charges for services	456,554	132,191	110,422	68,617	-	-	-	-	-	-	-
Lease and rental income	-	-	18,902	-	-	30,960	-	-	-	-	-
Investment income (loss)	-	-	-	2,256	39	-	-	-	-	-	-
Other	21,650	-	11,803	-	-	11,025	-	-	-	-	-
Total revenues	<u>487,677</u>	<u>141,777</u>	<u>145,060</u>	<u>70,873</u>	<u>39</u>	<u>182,510</u>	<u>400</u>	<u>109,779</u>	<u>23,709</u>	<u>70,855</u>	<u>825,508</u>
Expenditures:											
Current:											
Public safety	-	-	-	219	1,158	-	-	-	23,709	-	-
Community services	-	-	-	-	-	-	-	109,779	-	68,562	-
Water and sewer	722,114	-	-	-	-	-	-	-	-	-	-
Landfill	-	937,109	-	-	-	-	-	-	-	-	-
Dock	-	-	-	-	-	-	-	-	-	-	-
Boat harbor	-	-	203,762	-	-	-	-	-	-	-	-
Senior citizen center	-	-	-	-	-	292,657	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	1,179,590
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>722,114</u>	<u>937,109</u>	<u>203,762</u>	<u>219</u>	<u>1,158</u>	<u>292,657</u>	<u>-</u>	<u>109,779</u>	<u>23,709</u>	<u>68,562</u>	<u>1,179,590</u>
Excess (deficiency) of revenues over expenditures	<u>(234,437)</u>	<u>(795,332)</u>	<u>(58,702)</u>	<u>70,654</u>	<u>(1,119)</u>	<u>(110,147)</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,293</u>	<u>(354,082)</u>
Other financing sources (uses):											
Transfers in	188,615	714,740	76,947	-	-	71,787	-	-	-	-	354,082
Transfers out	-	-	-	(44,571)	-	-	-	-	-	-	-
Net other financing sources (uses)	<u>188,615</u>	<u>714,740</u>	<u>76,947</u>	<u>(44,571)</u>	<u>-</u>	<u>71,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,082</u>
Net change in fund balances	(45,822)	(80,592)	18,245	26,083	(1,119)	(38,360)	400	-	-	2,293	-
Fund balances (deficits) at beginning of year	58,482	5,722	15,705	149,008	4,113	350	-	-	-	-	-
Fund balances (deficits) at end of year	\$ <u>12,660</u>	<u>(74,870)</u>	<u>33,950</u>	<u>175,091</u>	<u>2,994</u>	<u>(38,010)</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,293</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	Planning	Landfill	Public Safety	Local Support		
Revenues:											
Intergovernmental:											
Federal government	\$ -	-	-	-	-	-	-	8,932	-	-	126,097
State of Alaska	-	27,284	-	-	-	-	39,808	1,371	-	-	994,520
Local sources:											
Local assistance	-	-	-	-	-	-	104,911	-	8,343	-	263,800
Charges for services	-	-	-	-	-	-	-	-	-	-	767,784
Lease and rental income	-	-	-	-	-	-	-	-	-	-	49,862
Investment income (loss)	-	-	69	-	-	-	-	-	-	7,887	10,251
Other	1,920	-	-	-	-	-	-	-	-	6,409	52,807
Total revenues	<u>1,920</u>	<u>27,284</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,719</u>	<u>10,303</u>	<u>8,343</u>	<u>14,296</u>	<u>2,265,121</u>
Expenditures:											
Current:											
Public safety	-	-	-	-	-	-	-	-	-	-	25,086
Community services	-	-	-	-	-	-	-	-	-	3,172	181,513
Water and sewer	-	-	-	-	-	-	-	-	-	-	722,114
Landfill	-	-	-	-	-	-	-	-	-	-	937,109
Dock	-	-	-	-	-	-	-	-	-	-	-
Boat harbor	-	-	-	-	-	-	-	-	-	-	203,762
Senior citizen center	-	-	-	-	-	-	-	-	-	-	292,657
Debt service	-	-	-	-	-	-	-	-	-	-	1,179,590
Capital outlay	1,920	27,284	67,682	156,479	3,010	2,941	265,719	10,303	8,343	-	543,681
Total expenditures	<u>1,920</u>	<u>27,284</u>	<u>67,682</u>	<u>156,479</u>	<u>3,010</u>	<u>2,941</u>	<u>265,719</u>	<u>10,303</u>	<u>8,343</u>	<u>3,172</u>	<u>4,085,512</u>
Excess (deficiency) of revenues over expenditures	-	-	(67,613)	(156,479)	(3,010)	(2,941)	(121,000)	-	-	11,124	(1,820,391)
Other financing sources (uses) -											
Transfers in	155,469	-	2,607	160,000	60,500	-	121,000	-	-	-	1,905,747
Transfers out	-	-	-	-	-	-	-	-	-	-	(44,571)
Net other financing sources (uses)	<u>155,469</u>	<u>-</u>	<u>2,607</u>	<u>160,000</u>	<u>60,500</u>	<u>-</u>	<u>121,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,861,176</u>
Net change in fund balances	155,469	-	(65,006)	3,521	57,490	(2,941)	-	-	-	11,124	40,785
Fund balances (deficits) at beginning of year	(155,469)	-	65,006	151,651	616,267	31,826	172,044	-	-	382,156	1,496,861
Fund balances (deficits) at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>155,172</u>	<u>673,757</u>	<u>28,885</u>	<u>172,044</u>	<u>-</u>	<u>-</u>	<u>393,280</u>	<u>1,537,646</u>

Non-Major

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.

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.

Dillingham Police Department Reward – this fund accounts for donations by the public that are to be paid out by the police department to individuals who provide information on criminal activity in the area.

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 for various community projects.

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,	2016			2015
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 22,992	9,473	(13,519)	68,276
Local sources:				
Charges for services:				
Water sales	172,500	174,828	2,328	129,727
Sewer fees	299,670	281,726	(17,944)	251,970
Total charges for services	472,170	456,554	(15,616)	381,697
Other	14,500	21,650	7,150	18,828
Total revenues	509,662	487,677	(21,985)	468,801
Expenditures:				
Water:				
Salaries	56,326	48,703	7,623	54,929
Overtime salaries	15,000	13,670	1,330	16,265
Employee benefits	59,642	40,447	19,195	70,522
Contract labor	153,000	150,000	3,000	1,000
Insurance	3,859	2,417	1,442	3,859
Travel and training	2,000	847	1,153	823
Supplies	4,500	3,707	793	4,686
Gas, oil and grease	2,500	3,500	(1,000)	3,705
Minor tools and equipment	9,000	3,674	5,326	5,152
Utilities and telephone	26,800	29,567	(2,767)	48,043
Advertising	-	109	(109)	-
Building and equipment repairs	16,500	14,449	2,051	5,681
Sample testing and inspections	4,750	4,507	243	4,719
Administrative overhead	36,375	61,586	(25,211)	40,603
Total water	390,252	377,183	13,069	259,987
Sewer:				
Salaries	56,326	55,554	772	46,712
Overtime salaries	35,000	44,140	(9,140)	33,177
Employee benefits	64,110	61,179	2,931	90,449
Contract labor	7,000	46,744	(39,744)	5,790
Insurance	2,000	1,253	747	-
Travel and training	1,000	352	648	70
Supplies	3,000	2,738	262	4,808
Chemicals	6,300	6,829	(529)	7,110
Gas, oil and grease	2,500	3,613	(1,113)	4,864
Minor tools and equipment	3,500	2,849	651	2,189
Utilities and telephone	44,500	47,377	(2,877)	58,377
Building and equipment repairs	12,000	11,435	565	16,166
Sample testing and inspections	10,250	12,463	(2,213)	10,460
Administrative overhead	44,697	48,405	(3,708)	52,251
Total sewer	292,183	344,931	(52,748)	332,423
Total expenditures	682,435	722,114	(39,679)	592,410
Excess (deficiency) of revenues over expenditures	(172,773)	(234,437)	(61,664)	(123,609)
Other financing sources - transfers in	203,756	188,615	(15,141)	167,174
Net change in fund balance	\$ 30,983	(45,822)	(76,805)	43,565
Fund balance at beginning of year		58,482		14,917
Fund balance at end of year		\$ 12,660		58,482

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

Years Ended June 30,	<u>Budget</u>	<u>2016 Actual</u>	<u>Variance</u>	<u>2015 Actual</u>
Revenues:				
Intergovernmental -				
State PERS relief	\$ 24,418	9,586	(14,832)	55,746
Local sources:				
Charges for services - landfill fees	<u>140,000</u>	<u>132,191</u>	<u>(7,809)</u>	<u>123,988</u>
Total revenues	<u>164,418</u>	<u>141,777</u>	<u>(22,641)</u>	<u>179,734</u>
Expenditures:				
Landfill:				
Salaries	167,474	174,881	(7,407)	119,953
Overtime salaries	20,000	21,168	(1,168)	11,372
Employee benefits	93,118	88,043	5,075	112,483
Contractual	240,000	238,594	1,406	50,548
Insurance	5,000	3,132	1,868	4,911
Advertising	800	208	592	958
Training and travel	1,000	705	295	581
Supplies	3,190	3,244	(54)	3,351
Gravel	27,789	-	27,789	17,600
Gas, oil and grease	175,000	168,893	6,107	69,374
Minor tools and equipment	8,500	4,254	4,246	6,031
Utilities and telephone	32,600	33,393	(793)	18,675
Building and equipment repairs	39,000	34,883	4,117	20,615
Sample testing and inspections	57,983	12,898	45,085	21,169
Administrative overhead	<u>100,391</u>	<u>152,813</u>	<u>(52,422)</u>	<u>85,762</u>
Total expenditures	<u>971,844</u>	<u>937,109</u>	<u>34,735</u>	<u>543,383</u>
Excess (deficiency) of revenues over expenditures	(807,426)	(795,332)	12,094	(363,649)
Other financing sources - transfers in	<u>807,426</u>	<u>714,740</u>	<u>(92,686)</u>	<u>366,921</u>
Net change in fund balance	\$ <u>-</u>	(80,592)	<u>(80,592)</u>	3,272
Fund balance at beginning of year		<u>5,722</u>		<u>2,450</u>
Fund balance (deficit) at end of year		\$ <u>(74,870)</u>		<u>5,722</u>

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,	2016		Variance	2015
	Budget	Actual		Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 11,460	3,933	(7,527)	21,393
Local sources:				
Charges for services - boat harbor fees	100,000	110,422	10,422	99,633
Lease and rental income	33,600	18,902	(14,698)	23,554
Other	5,100	11,803	6,703	4,792
Total revenues	<u>150,160</u>	<u>145,060</u>	<u>(5,100)</u>	<u>149,372</u>
Expenditures:				
Boat harbor:				
Salaries	68,798	53,255	15,543	44,118
Overtime salaries	6,000	6,075	(75)	4,114
Employee benefits	48,795	30,998	17,797	44,300
Contract labor	-	1,463	(1,463)	-
Advertising	600	988	(388)	819
Memberships	250	150	100	150
Travel and training	-	125	(125)	-
Supplies	3,500	3,246	254	4,027
Gas, oil and grease	2,000	2,575	(575)	6,704
Minor tools and equipment	5,000	1,782	3,218	2,678
Utilities and telephone	43,410	39,869	3,541	39,154
Janitorial services	5,000	5,620	(620)	4,700
Building and equipment repairs	21,500	24,706	(3,206)	27,417
Inspections	1,700	1,305	395	393
Administrative overhead	40,811	31,605	9,206	33,503
Total expenditures	<u>247,364</u>	<u>203,762</u>	<u>43,602</u>	<u>212,077</u>
Excess (deficiency) of revenues over expenditures	(97,204)	(58,702)	38,502	(62,705)
Other financing sources - transfers in	<u>97,204</u>	<u>76,947</u>	<u>(20,257)</u>	<u>78,410</u>
Net change in fund balance	\$ <u>-</u>	<u>18,245</u>	<u>18,245</u>	15,705
Fund balance at beginning of year		<u>15,705</u>		<u>-</u>
Fund balance at end of year		\$ <u><u>33,950</u></u>		<u><u>15,705</u></u>

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

Years Ended June 30,	2016		Variance	2015
	Budget	Actual		Actual
Revenues:				
Charges for services:				
E911 revenue	\$ 76,000	68,617	(7,383)	75,524
Local:				
Investment income	760	2,256	1,496	1,008
Total revenues	<u>76,760</u>	<u>70,873</u>	<u>(5,887)</u>	<u>76,532</u>
Expenditures - public safety - equipment	<u>8,500</u>	<u>219</u>	<u>8,281</u>	<u>7,130</u>
Excess of revenues over expenditures	68,260	70,654	2,394	69,402
Other financing sources - transfers out	<u>(44,571)</u>	<u>(44,571)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u><u>23,689</u></u>	26,083	<u><u>2,394</u></u>	69,402
Fund balance at beginning of year		<u>149,008</u>		<u>79,606</u>
Fund balance at end of year		\$ <u><u>175,091</u></u>		<u><u>149,008</u></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>2016</u>	<u>2015</u>
Revenues - investment income	\$ <u>39</u>	<u>41</u>
Expenditures - public safety:		
Travel	<u>1,158</u>	<u>2,000</u>
Excess (deficiency) of revenues over expenditures	(1,119)	(1,959)
Fund balance at beginning of year	<u>4,113</u>	<u>6,072</u>
Fund balance at end of year	\$ <u><u>2,994</u></u>	<u><u>4,113</u></u>

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

Year Ended June 30,	2016			2015
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal sources	\$ 87,133	87,743	610	93,872
State of Alaska	47,326	47,326	-	51,748
State PERS relief	26,260	5,456	(20,804)	51,783
Local sources:				
Local assistance	-	-	-	25,000
Lease and rental income	28,400	30,960	2,560	28,669
Other	26,500	11,025	(15,475)	13,850
Total revenues	<u>215,619</u>	<u>182,510</u>	<u>(33,109)</u>	<u>264,922</u>
Expenditures:				
Senior citizen center:				
Nutrition, transportation, and support services:				
Salaries	54,860	56,483	(1,623)	59,548
Employee benefits	42,904	43,482	(578)	37,822
Insurance	-	-	-	2,000
Food	16,759	15,942	817	21,397
Supplies	-	427	(427)	1,673
Gas, oil, and grease	13,496	9,030	4,466	14,416
Utilities and telephone	6,440	7,440	(1,000)	5,940
Minor tools and equipment	-	-	-	5
Building and equipment repairs	-	-	-	1,850
Major equipment	-	-	-	225
Maintenance	-	4,466	(4,466)	-
Total nutrition, transportation, and support services	<u>134,459</u>	<u>137,270</u>	<u>(2,811)</u>	<u>144,876</u>
Operations:				
Salaries	46,769	45,520	1,249	69,812
Employee benefits	56,131	16,486	39,645	99,186
Food	3,241	968	2,273	1,677
Minor tools and equipment	1,000	440	560	-
Inspections	1,566	1,961	(395)	2,215
Insurance	10,000	6,264	3,736	8,000
Supplies	4,800	1,114	3,686	844
Gas, oil, and grease	3,981	2,895	1,086	6,224
Building and equipment repairs	9,500	7,934	1,566	7,098
Utilities and telephone	26,493	23,826	2,667	36,073
Major equipment	-	-	-	26,080
Administrative overhead	56,618	47,979	8,639	75,132
Total operations	<u>220,099</u>	<u>155,387</u>	<u>64,712</u>	<u>332,341</u>
Total expenditures	<u>354,558</u>	<u>292,657</u>	<u>61,901</u>	<u>477,217</u>
Excess (deficiency) of revenues over expenditures	(138,939)	(110,147)	28,792	(212,295)
Other financing sources - transfers in	<u>138,939</u>	<u>71,787</u>	<u>(67,152)</u>	<u>212,645</u>
Net change in fund balance	\$ <u>-</u>	<u>(38,360)</u>	<u>(38,360)</u>	<u>350</u>
Fund balance at beginning of year		<u>350</u>		<u>-</u>
Fund balance (deficit) at end of year		\$ <u>(38,010)</u>		<u>350</u>

CITY OF DILLINGHAM, ALASKA
Dillingham Police Department Reward Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance

<i>Years Ended June 30,</i>	<u>2016</u>	<u>2015</u>
Revenues - local assistance	\$ <u>400</u>	<u>-</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	400	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>400</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,	2016			2015
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal	\$ 8,000	8,213	213	10,994
State of Alaska	7,000	24,775	17,775	16,194
Local assistance	93,685	76,791	(16,894)	43,798
Total revenues	<u>108,685</u>	<u>109,779</u>	<u>1,094</u>	<u>70,986</u>
Expenditures:				
Community services:				
Salaries	2,780	2,430	350	4,633
Employee benefits	-	1,102	(1,102)	2,477
Travel and training	1,000	2,000	(1,000)	3,000
Audio visual	2,360	2,468	(108)	2,450
Internet and phone	93,685	93,497	188	49,761
Summer reading program	2,500	1,965	535	2,495
Books	6,360	6,317	43	6,170
Total expenditures	<u>108,685</u>	<u>109,779</u>	<u>(1,094)</u>	<u>70,986</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		-		-
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>2016</u>	<u>2015</u>
Revenues:		
Intergovernmental:		
Federal sources	\$ 21,209	76,504
State of Alaska	-	29,864
Local assistance	<u>2,500</u>	<u>-</u>
Total revenues	<u>23,709</u>	<u>106,368</u>
Expenditures:		
Public safety:		
Salaries	21,209	31,228
Gas, oil, grease	2,500	-
Advertising	-	614
Travel	-	1,309
Equipment	<u>-</u>	<u>48,217</u>
Total public safety	<u>23,709</u>	<u>81,368</u>
Dock:		
Advertising	-	598
Equipment	<u>-</u>	<u>24,402</u>
Total dock	<u>-</u>	<u>25,000</u>
Total expenditures	<u>23,709</u>	<u>106,368</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>2016</u>	<u>2015</u>
Revenues:		
Local assistance	\$ <u>70,855</u>	<u>48,104</u>
Expenditures:		
Public safety:		
Utilities	<u>-</u>	<u>923</u>
Community services:		
Salaries	48,771	43,013
Overtime salaries	1,202	2,018
Employee benefits	2,822	2,150
Training	<u>15,767</u>	<u>-</u>
Total community services	<u>68,562</u>	<u>47,181</u>
Total expenditures	<u>68,562</u>	<u>48,104</u>
Excess of revenues over expenditures	2,293	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>2,293</u></u>	<u><u>-</u></u>

Non-Major

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,	2016		Variance	2015
	Budget	Actual		Actual
Revenues:				
Intergovernmental - State of Alaska	\$ 825,713	825,508	(205)	823,059
Expenditures:				
Principal	665,000	665,000	-	630,000
Interest	514,590	514,590	-	546,090
Total expenditures	<u>1,179,590</u>	<u>1,179,590</u>	<u>-</u>	<u>1,176,090</u>
Excess (deficiency) of revenues over expenditures	(353,877)	(354,082)	(205)	(353,031)
Other financing sources - transfers in	<u>353,877</u>	<u>354,082</u>	<u>205</u>	<u>353,031</u>
Net change in fund balance	\$ <u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		<u>-</u>		<u>-</u>
Fund balance at end of year		\$ <u>-</u>		<u>-</u>

Non-Major 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.

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

Landfill – this fund accounts for capital grants and activity associated with the landfill and related landfill closure activities.

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 for capital improvements.

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>2016</u>	<u>2015</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ -	56,003
Local sources - other	<u>1,920</u>	<u>21</u>
Total revenues	<u>1,920</u>	<u>56,024</u>
Expenditures - capital outlay - dock	<u>1,920</u>	<u>56,024</u>
Excess of revenues over expenditures	-	-
Other financing uses - transfers in	<u>155,469</u>	<u>-</u>
Net change in fund balance	155,469	-
Fund balance (deficit) at beginning of year	<u>(155,469)</u>	<u>(155,469)</u>
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>(155,469)</u>

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

<i>Years Ended June 30,</i>	<u>2016</u>	<u>2015</u>
Revenues:		
Intergovernmental - State of Alaska	\$ <u>27,284</u>	<u>45,484</u>
Expenditures - capital outlay - community services	<u>27,284</u>	<u>45,484</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
 School Bonds Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2016</u>	<u>2015</u>
Revenues - investment income	\$ <u>69</u>	<u>426</u>
Expenditures - capital outlay - school building projects	<u>67,682</u>	<u>12,183</u>
Excess (deficiency) of revenues over expenditures	(67,613)	(11,757)
Other financing sources (uses):		
Transfer in	<u>2,607</u>	<u>-</u>
Net change in fund balance	(65,006)	(11,757)
Fund balance at beginning of year	<u>65,006</u>	<u>76,763</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>65,006</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>2016</u>	<u>2015</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public works	<u>156,479</u>	<u>19,523</u>
Excess (deficiency) of revenues over expenditures	(156,479)	(19,523)
Other financing sources - transfers in	<u>160,000</u>	<u>50,000</u>
Net change in fund balance	3,521	30,477
Fund balance at beginning of year	<u>151,651</u>	<u>121,174</u>
Fund balance at end of year	\$ <u><u>155,172</u></u>	<u><u>151,651</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>2016</u>	<u>2015</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public safety	<u>3,010</u>	<u>25,713</u>
Excess (deficiency) of revenues over expenditures	<u>(3,010)</u>	<u>(25,713)</u>
Other financing sources (uses):		
Transfer in	<u>60,500</u>	<u>35</u>
Net change in fund balance	57,490	(25,678)
Fund balance at beginning of year	<u>616,267</u>	<u>641,945</u>
Fund balance at end of year	<u><u>\$ 673,757</u></u>	<u><u>616,267</u></u>

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

<i>Years Ended June 30,</i>	<u>2016</u>	<u>2015</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public safety	<u>2,941</u>	<u>11,918</u>
Excess (deficiency) revenues over expenditures	(2,941)	(11,918)
Other financing sources - transfer in	<u>-</u>	<u>20,000</u>
Net change in fund balance	(2,941)	8,082
Fund balance at beginning of year	<u>31,826</u>	<u>23,744</u>
Fund balance at end of year	\$ <u><u>28,885</u></u>	<u><u>31,826</u></u>

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

<i>Years Ended June 30,</i>	<u>2016</u>	<u>2015</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ 39,808	1,348,401
Local sources - local assistance	<u>104,911</u>	<u>145,089</u>
Total revenues	<u>144,719</u>	<u>1,493,490</u>
Expenditures - capital outlay - public works	<u>265,719</u>	<u>1,493,490</u>
Excess (deficiency) of revenues over expenditures	(121,000)	-
Other financing sources - transfers in	<u>121,000</u>	<u>-</u>
Net change in fund balance	-	-
Fund balance at beginning of year	<u>172,044</u>	<u>172,044</u>
Fund balance at end of year	<u>\$ 172,044</u>	<u>172,044</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>2016</u>	<u>2015</u>
Revenues:		
Intergovernmental:		
Federal sources	\$ 8,932	359,495
State of Alaska	1,371	136,391
Total revenues	<u>10,303</u>	<u>495,886</u>
Expenditures - capital outlay - public safety	<u>10,303</u>	<u>495,851</u>
Excess of revenues over expenditures	<u>-</u>	<u>35</u>
Other financing sources (uses):		
Transfers out	<u>-</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>2016</u>	<u>2015</u>
Revenues:		
Grant revenue - local assistance	\$ <u>8,343</u>	<u>31,717</u>
Expenditures - capital outlay - public safety	<u>8,343</u>	<u>31,717</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>

Non-Major

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>2016</u>	<u>2015</u>
Revenues - investment income		
Local sources:		
Investment income	\$ 7,887	3,730
Other	6,409	-
Total revenues	<u>14,296</u>	<u>3,730</u>
Expenditures:		
Community services:		
Salaries and benefits	223	-
Utilities	861	5,979
Administrative overhead	520	1,621
Building repairs	34	73
Advertising	908	1,232
Insurance	626	830
Total expenditures	<u>3,172</u>	<u>9,735</u>
Excess (deficiency) of revenues over expenditures	11,124	(6,005)
Fund balance at beginning of year	<u>382,156</u>	<u>388,161</u>
Fund balance at end of year	<u>\$ 393,280</u>	<u>382,156</u>

CITY OF DILLINGHAM, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grant Title	Grant Number/ Pass-through Entity Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expenditures
DEPARTMENT OF AGRICULTURE				
Passed through State of Alaska Department of Natural Resources Division of Forestry				
Volunteer Fire Assistance	none	10.664	\$ <u>8,932</u>	<u>8,932</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	<u>443,838</u>	<u>443,838</u>
DEPARTMENT OF JUSTICE				
Passed through State of Alaska Department of Public Safety:				
Justice Assistance Grant	16-202	16.738	<u>35,000</u>	<u>21,209</u>
DEPARTMENT OF HOMELAND SECURITY				
Passed through State of Alaska Department of Administration				
Donation of Federal Surplus Property	none	39.003	<u>187,081</u>	<u>187,081</u>
DEPARTMENT OF MUSEUM AND LIBRARY SERVICES				
Passed through Curyung Tribal Council:				
Native American Library Services Basic Grant	NG-05-15-0210-15	45.311	7,000	6,213
Passed through State of Alaska Department of Education and Early Development:				
Alaska State Library- Continuing Education	none	45.310	<u>2,000</u>	<u>2,000</u>
Total Department of Museum and Library Services			<u>9,000</u>	<u>8,213</u>
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Alaska Native Tribal Health Consortium				
Wastewater project - Sewer Lagoon	AN 15-N3E	66.458	<u>634,483</u>	<u>10,413</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State of Alaska Department of Health and Social Services:				
Aging Cluster:				
Nutrition, Transportation and Support Service	607-309-1607	93.044	47,386	47,386
Nutrition, Transportation and Support Service	607-309-1607	93.045	35,747	35,747
Nutrition Services Incentive Program	none	93.053	<u>4,610</u>	<u>4,610</u>
Total Aging Cluster			<u>87,743</u>	<u>87,743</u>
Total Expenditures of Federal Awards			\$ <u>1,406,077</u>	\$ <u>767,429</u>

See accompanying notes to Schedule.

CITY OF DILLINGHAM, ALASKA

Notes to Schedule of Expenditures of Federal awards

Year ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Dillingham, Alaska under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of City of Dillingham, Alaska, it is not intended to and does not present the basic financial statements of City of Dillingham, Alaska.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. City of Dillingham, Alaska has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform guidance.

Note 3. Passed Through Awards

No amounts were passed through to subrecipients.

CITY OF DILLINGHAM, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2016

	Grant Number	Total Grant Award	State Share of Expenditures
DEPARTMENT OF ADMINISTRATION			
Direct Programs:			
* State PERS Relief	none	\$ 167,034	\$ 167,034
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT			
Direct Programs:			
* Debt Service - School Bonds	none	825,508	825,508
Public Library Assistance	none	6,650	6,650
Alaska OWL Program	none	18,125	18,125
Total Department of Education and Early Development		<u>850,283</u>	<u>850,283</u>
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT			
Direct Programs:			
* State Revenue Sharing	none	202,035	202,035
* Wastewater Treatment Plant Upgrades	13-DC-516	2,280,000	282,302
E911 Critical System Upgrade	14-DC-046	200,000	822
Landfill Regulatory Compliance Improvements	14-DC-047	1,900,000	39,808
Library & Museum Repair	15-RR-052	84,942	27,284
Total Department of Commerce, Community and Economic Development		<u>4,666,977</u>	<u>552,251</u>
DEPARTMENT OF REVENUE			
Direct Programs:			
Fisheries Business Tax	none	27,135	27,135
* Raw Fish Tax	none	433,564	433,564
Electric and Telephone Co-op Tax	none	65,540	65,540
Liquor Licenses	none	4,000	4,000
Motor Vehicle Tax	none	28,104	28,104
Total Department of Revenue		<u>558,343</u>	<u>558,343</u>
DEPARTMENT OF ENVIRONMENTAL CONSERVATION			
Direct Programs:			
* Wastewater System Improvements and Upgrades	28307	3,000,000	747,025
Wastewater System Improvements	28308	2,140,119	1,279
Total Department of Environmental Conservation		<u>5,140,119</u>	<u>748,304</u>
DEPARTMENT OF HEALTH AND SOCIAL SERVICES			
Direct Programs:			
Nutrition, Transportation and Support Services	607-309-1607	47,326	47,326
DEPARTMENT OF CORRECTIONS			
Direct Programs:			
Regional and Community Jails Program Capital Projects	none	20,000	549
Total State Financial Assistance		<u>\$ 11,450,082</u>	<u>\$ 2,924,090</u>

See accompanying notes to the Schedule.

CITY OF DILLINGHAM, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of City of Dillingham, Alaska under programs of the State of Alaska for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Dillingham, Alaska, it is not intended to and does not present the basic financial statements of City of Dillingham, Alaska.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

Note 3. Subrecipients

No state funds were passed through to Subrecipients.

Note 4. Major Programs

* denotes a major program for compliance audit purposes.

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 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, 2016, 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 8, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dillingham, Alaska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 8, 2017

Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance

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 the City of Dillingham, Alaska's major federal programs for the year ended June 30, 2016. 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 \$1,922,355 in federal awards, which is not included in the schedule for the year ended June 30, 2016. 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 *Uniform Guidance*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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.

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



Anchorage, Alaska
March 8, 2017

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

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

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1)):
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))? 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 Uniform Guidance, 2 CFR 200.516 (a)(3) or (4)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payment in Lieu of Taxes

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

The City of Dillingham, Alaska did not have any findings related to the financial statements.

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

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.

Status: This finding has been resolved.

Finding 2015-002
Significant Deficiency

Internal Control over Accounts Payable Accrual

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

Status: This finding has been resolved.

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.

Status: This finding has been resolved.

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 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 City of Dillingham, Alaska's major state programs for the year ended June 30, 2016. 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 \$7,402,218 in state awards, which is not included in the schedule for the year ended June 30, 2016. Our audit, described below, did not include the operations of Dillingham City School District because it was subjected to a separate audit in accordance with the 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 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 audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Dillingham, 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 state program. However our audit does not provide a legal determination of City of Dillingham, Alaska's compliance.

Opinion on Each Major State Program

In our opinion, 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 state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of 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 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 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. 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 the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
March 8, 2017

CITY OF DILLINGHAM, ALASKA

State Schedule of Findings and Questioned Costs

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? Yes X None reported

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? Yes X None reported

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

Section III – State Award Findings and Questioned Costs

The City of Dillingham, Alaska, did not have any findings related to their state awards.

Section IV – Prior Year 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 accounts payable.

Status: This finding has been resolved.