

CITY OF DILLINGHAM, ALASKA

Basic Financial Statements,
Required Supplementary Information, Additional
Supplementary Information, and Compliance Reports

Year Ended June 30, 2018

*Altman, Rogers
& Co.* CERTIFIED
PUBLIC
ACCOUNTANTS

CITY OF DILLINGHAM, ALASKA

Basic Financial Statements,
Required Supplementary Information, Additional
Supplementary Information, and Compliance Reports

Year Ended June 30, 2018

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, 2018 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, 2018, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note XVII to the financial statements, in 2018 the City of Dillingham adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Public Employees' Retirement system Schedules on pages 40-43 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Honorable Mayor and City Council
City of Dillingham, Alaska

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 funds, and the schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code if Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the accompanying schedule of state financial assistance is presented as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and are also not required part of the basic financial statements.

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 also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Dillingham, Alaska basic financial statements for the year ended June 30, 2017 (not presented herein) and have issued our reported dated March 29, 2018, which are not presented with the accompanying financial statements and we expressed 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. That 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 as a whole. The combining statements and schedules, individual major and non-major funds budget to actual schedules for the year ended June 30, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2017 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 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, 2017 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, 2017.

Honorable Mayor and City Council
City of Dillingham, Alaska

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dillingham, Alaska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dillingham, Alaska's internal control over financial reporting and compliance.

Altman, Rogers & Co.

Anchorage, Alaska
October 25, 2019

CITY OF DILLINGHAM, ALASKA

Statement of Net Position

June 30, 2018

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Dillingham City School District</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Current:		
Cash and investments	\$ 3,958,813	2,486,708
Receivables, net	2,419,243	406,497
Restricted cash and investments	387,801	-
Inventory	-	18,896
Prepaid items	341,106	-
Total current	<u>7,106,963</u>	<u>2,912,101</u>
Noncurrent:		
Land and construction in progress	11,845,897	-
Other capital assets, net of accumulated depreciation	38,731,007	278,132
Total noncurrent	<u>50,576,904</u>	<u>278,132</u>
Deferred outflows of resources:		
Pension/OPEB deferrals	562,239	725,811
Total deferred outflow	<u>562,239</u>	<u>725,811</u>
Total assets and deferred outflows of resources	<u>58,246,106</u>	<u>3,916,044</u>
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>		
Liabilities:		
Current:		
Accounts payable	160,702	21,551
Accrued payroll and related liabilities	171,527	465,863
Due to student groups	-	89,208
Unearned revenue	3,358	5,729
Total current	<u>335,587</u>	<u>582,351</u>
Non-current:		
Due within one year:		
Accrued leave	171,133	-
Bonds	810,792	-
Capital leases	130,892	-
Due in more than one year:		
Net pension and OPEB liabilities	5,674,764	6,275,085
Bonds	8,746,332	-
Capital leases	878,989	-
Landfill closure costs	431,282	-
Total non-current	<u>16,844,184</u>	<u>6,275,085</u>
Deferred inflows of resources - pension and OPEB deferrals	697,416	1,330,887
Total liabilities and deferred inflows of resources	<u>17,877,187</u>	<u>8,188,323</u>
Net position:		
Net investment in capital assets	40,009,899	278,132
Restricted	763,142	-
Unrestricted	(404,122)	(4,550,411)
Total net position	<u>\$ 40,368,919</u>	<u>(4,272,279)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 58,246,106</u>	<u>3,916,044</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, 2018

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
					Government Total	Unit Dillingham City School District
Primary government:						
Governmental:						
General government	\$ 1,588,229	1,019,668	36,345	-	(532,216)	-
Public safety	2,360,551	71,118	77,490	4,800	(2,207,143)	-
Public works	1,191,767	-	41,536	1,992,346	842,115	-
Community services	265,242	-	149,524	-	(115,718)	-
Water and sewer	895,929	632,739	3,422	-	(259,768)	-
Landfill	1,187,295	223,283	5,092	-	(958,920)	-
Dock	1,056,635	815,398	18,885	-	(222,352)	-
Boat harbor	309,022	167,904	1,673	-	(139,445)	-
Senior citizen center	398,496	30,970	240,041	-	(127,485)	-
Education	2,032,433	-	-	802,105	(1,230,328)	-
Unallocated interest	295,358	-	-	-	(295,358)	-
Total governmental activities	\$ 11,580,957	2,961,080	574,008	2,799,251	(5,246,618)	-
Component Unit - school district - Education	\$ 11,376,471	10,061	3,106,888	-	-	(8,259,522)
General revenues:						
Taxes:						
Sales and other taxes				\$ 3,113,220	-	
Real and personal property taxes				2,450,127	-	
Gaming taxes				77,982	-	
Payment in lieu of taxes				450,803	-	
Contributions from primary government				-	1,300,000	
Grants and entitlements not restricted to a specific purpose				658,576	7,281,409	
Investment income				14,553	183	
E-Rate				-	802,020	
Other				292,622	115,304	
Total general revenues				7,057,883	9,498,916	
Change in net position				1,811,265	1,239,394	
Net position at beginning of year, as previously stated				39,569,585	(4,450,896)	
Cumulative effect of a change in accounting principle				(1,011,931)	(1,060,777)	
Net position, beginning of year, as restated				38,557,654	(5,511,673)	
Net position at end of year				\$ 40,368,919	(4,272,279)	

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

CITY OF DILLINGHAM, ALASKA

Balance Sheet - Governmental Funds

June 30, 2018

<u>Assets</u>	<u>General Fund</u>	<u>Water Improvement Capital Project Fund</u>	<u>Wastewater Treatment Plant Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 3,958,103	-	-	710	3,958,813
Receivables, net of allowance of uncollectible accounts:					
Sales taxes	648,949	-	-	-	648,949
Real and personal property taxes	276,558	-	-	-	276,558
Accounts	90,433	-	-	429,241	519,674
Grants and shared revenues	-	465,069	508,993	-	974,062
Prepaid items	332,200	-	-	8,906	341,106
Due from other funds	1,058,670	-	-	1,697,886	2,756,556
Restricted cash and investments	-	-	-	387,801	387,801
Total assets	\$ 6,364,913	465,069	508,993	2,524,544	9,863,519
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 67,736	-	874	92,092	160,702
Accrued payroll and payroll liabilities	125,031	-	-	46,496	171,527
Due to other funds	1,697,886	465,069	508,119	85,482	2,756,556
Unearned revenue	-	-	-	3,358	3,358
Total liabilities	<u>1,890,653</u>	<u>465,069</u>	<u>508,993</u>	<u>227,428</u>	<u>3,092,143</u>
Deferred inflows of resources - delinquent property taxes and user fees	<u>397,860</u>	<u>-</u>	<u>-</u>	<u>120,922</u>	<u>518,782</u>
Total liabilities and deferred inflows of resources	<u>2,288,513</u>	<u>465,069</u>	<u>508,993</u>	<u>348,350</u>	<u>3,610,925</u>
Fund Balances:					
Nonspendable	332,200	-	-	8,906	341,106
Restricted	-	-	-	763,142	763,142
Committed	-	-	-	1,274,844	1,274,844
Assigned	-	-	-	131,263	131,263
Unassigned	3,744,200	-	-	(1,961)	3,742,239
Total fund balances	<u>4,076,400</u>	<u>-</u>	<u>-</u>	<u>2,176,194</u>	<u>6,252,594</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 6,364,913	465,069	508,993	2,524,544	9,863,519

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, 2018

Total fund balances for governmental funds		\$	6,252,594
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		6,983,451	
Buildings		24,914,559	
Improvements other than buildings		32,974,469	
Machinery and equipment		9,894,302	
Total capital assets		<u>79,629,227</u>	
Less accumulated depreciation		<u>(29,052,323)</u>	
Total capital assets, net of accumulated depreciation			50,576,904
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 user receivables			
			518,782
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	\$	(8,425,000)	
Unamortized bond premium		(1,132,124)	
Capital leases		(1,009,881)	
Accrued leave		(171,133)	
Landfill closure costs		<u>(431,282)</u>	
Total long-term liabilities			(11,169,420)
Proportionate share of the collective net pension and OPEB liability:			
PERS			(5,674,764)
Deferred inflows and outflows of resources are the results of timing differences in the actuarial report.			
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources:			
PERS			562,239
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources:			
PERS			(697,416)
Total net position of governmental activities		\$	<u>40,368,919</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, 2018

	General Fund	Water Improvement Capital Project Fund	Wastewater System Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
Federal sources	\$ 450,803	-	366,411	91,451	908,665
State of Alaska	730,782	607,032	992,701	913,752	3,244,267
Local sources:					
Taxes	5,641,329	-	-	-	5,641,329
Local assistance	-	26,202	-	202,640	228,842
Charges for services	937,998	-	-	1,889,409	2,827,407
Licenses and permits	19,413	-	-	-	19,413
Fines and forfeitures	14,952	-	-	-	14,952
Lease and rental income	47,305	-	-	52,003	99,308
Asset forfeiture	-	-	-	18,900	18,900
Investment income	10,765	-	-	3,788	14,553
Other	53,329	-	-	128,093	181,422
Total revenues	<u>7,906,676</u>	<u>633,234</u>	<u>1,359,112</u>	<u>3,300,036</u>	<u>13,199,058</u>
Expenditures:					
Current:					
General government	1,499,946	-	-	-	1,499,946
Public safety	2,263,052	-	-	16,415	2,279,467
Public works	1,160,674	-	-	-	1,160,674
Community services	111,122	-	-	142,283	253,405
Water and sewer	-	-	-	798,143	798,143
Landfill	-	-	-	613,758	613,758
Dock	-	-	-	878,907	878,907
Boat harbor	-	-	-	296,512	296,512
Senior citizen center	-	-	-	442,502	442,502
Education - contribution to School District	1,300,000	-	-	-	1,300,000
Debt service:					
Principal	-	-	-	725,000	725,000
Interest	-	-	-	421,150	421,150
Capital outlay	-	633,234	1,359,112	88,233	2,080,579
Total expenditures	<u>6,334,794</u>	<u>633,234</u>	<u>1,359,112</u>	<u>4,422,903</u>	<u>12,750,043</u>
Excess (deficiency) of revenues over expenditures	<u>1,571,882</u>	<u>-</u>	<u>-</u>	<u>(1,122,867)</u>	<u>449,015</u>
Other financing sources (uses):					
Transfers in	47,307	-	-	1,266,856	1,314,163
Transfers out	(1,145,616)	-	-	(168,547)	(1,314,163)
Net other financing sources (uses)	<u>(1,098,309)</u>	<u>-</u>	<u>-</u>	<u>1,098,309</u>	<u>-</u>
Net change in fund balances	473,573	-	-	(24,558)	449,015
Fund balances at beginning of year	<u>3,602,827</u>	<u>-</u>	<u>-</u>	<u>2,200,752</u>	<u>5,803,579</u>
Fund balances at end of year	<u>\$ 4,076,400</u>	<u>-</u>	<u>-</u>	<u>2,176,194</u>	<u>6,252,594</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, 2018

Net change in fund balances - total governmental funds		\$	449,015
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.			
Change in deferred outflows related to bond refunding	\$	(168,508)	
Change in unfunded pension and OPEB liabilities		<u>1,319,052</u>	1,150,544
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.			
			(1,250,849)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay		2,835,381	
Depreciation expense		<u>(2,098,876)</u>	736,505
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.			
			92,300
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.			
			(357,842)
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	\$	725,000	
Payments of capital leases		149,046	
Amortized bond premium		<u>125,792</u>	999,838
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>(8,246)</u>
Change in net position of governmental activities		\$	<u><u>1,811,265</u></u>

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

CITY OF DILLINGHAM, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Original and Final Budget and Actual

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental:				
Federal sources	\$ 445,000	450,800	450,803	3
State of Alaska	685,743	760,418	730,782	(29,636)
Bristol Bay Housing Authority	-	2,000	-	(2,000)
Local sources:				
Taxes	5,745,000	5,595,000	5,641,329	46,329
Charges for services	1,021,307	908,487	937,998	29,511
Licenses and permits	-	17,050	19,413	2,363
Fines and forfeitures	-	14,500	14,952	452
Lease and rental income	44,800	44,800	47,305	2,505
Investment income	30,000	30,000	10,765	(19,235)
Other	75,600	53,750	53,329	(421)
Total revenues	<u>8,047,450</u>	<u>7,876,805</u>	<u>7,906,676</u>	<u>29,871</u>
Expenditures:				
Current:				
General government	1,583,015	1,592,865	1,499,946	92,919
Public safety	2,426,682	2,414,432	2,263,052	151,380
Public works	1,172,247	1,230,347	1,160,674	69,673
Community services	107,800	107,638	111,122	(3,484)
Education	1,300,000	1,300,000	1,300,000	-
Total expenditures	<u>6,589,744</u>	<u>6,645,282</u>	<u>6,334,794</u>	<u>310,488</u>
Excess of revenues over expenditures	<u>1,457,706</u>	<u>1,231,523</u>	<u>1,571,882</u>	<u>340,359</u>
Other financing sources (uses):				
Transfers in	51,307	47,307	47,307	-
Transfers out	<u>(1,547,510)</u>	<u>(1,479,881)</u>	<u>(1,145,616)</u>	<u>334,265</u>
Total net other financing sources (uses)	<u>(1,496,203)</u>	<u>(1,432,574)</u>	<u>(1,098,309)</u>	<u>334,265</u>
Net change in fund balance	\$ <u>(38,497)</u>	<u>(201,051)</u>	473,573	<u>674,624</u>
Fund balance at beginning of year			<u>3,602,827</u>	
Fund balance at end of year			\$ <u>4,076,400</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, 2018

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 *Water Improvement Capital Project Fund* accounts for the capital grants association with water improvements.

The *Wastewater Treatment Plant Capital Project Fund* accounts for capital grants associated with wastewater 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.

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 the first business day of November, and the 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.

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.

Notes to Basic Financial Statements, continued

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

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

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

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

L. Net Position

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

M. Encumbrances

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

N. Unearned Grant Revenue

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

O. Pension/OPEB Plan

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

Notes to Basic Financial Statements, continued

P. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the Permanent Fund, the Local Services, Asset Forfeiture and Dillingham Police Department Reward Special Revenue Funds, and capital project funds, which adopt project-length budgets. All annual appropriations lapse at the fiscal year-end.

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

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

Excess of expenditures over appropriation were as follows:

General Fund:	
Community services	\$ 3,484
Special Revenue Funds:	
Boat harbor	49,300
Senior Citizens Center	182,895
Dock	299,700
Library	3,321

Excess of expenditures over appropriations were funded through operating transfers or available fund balance.

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, 2018.

Cash and cash equivalents	\$ 4,050,556	Cash and investments	\$ 3,958,813
Investments	<u>296,058</u>	Restricted cash and investments	<u>387,801</u>
	\$ <u>4,346,614</u>		\$ <u>4,346,614</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.

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>296,058</u>	<u>-</u>	<u>296,058</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 AAA.

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, 2018 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, 2018 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 approximates 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.

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, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities:				
Federal National Mortgage				
Association - US Agency Security	\$ 296,058	296,058	-	-
Total Investments	\$ 296,058	296,058	-	-

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 follows:

Governmental Activities	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 4,862,446	-	-	4,862,446
Construction in progress	7,335,020	2,617,635	2,969,204	6,983,451
Total assets not being depreciated	<u>12,197,466</u>	<u>2,617,635</u>	<u>2,969,204</u>	<u>11,845,897</u>
Capital assets being depreciated:				
Buildings	24,606,898	307,661	-	24,914,559
Improvements other than buildings	30,188,093	2,786,376	-	32,974,469
Machinery and equipment	9,801,389	92,913	-	9,894,302
Total capital assets being depreciated	<u>64,596,380</u>	<u>3,186,950</u>	<u>-</u>	<u>67,783,330</u>
Less accumulated depreciated for:				
Buildings	8,693,365	683,458	-	9,376,823
Improvements other than buildings	13,679,498	919,410	-	14,598,908
Machinery and equipment	4,580,584	496,008	-	5,076,592
Total accumulated depreciated	<u>26,953,447</u>	<u>2,098,876</u>	<u>-</u>	<u>29,052,323</u>
Total capital assets being being depreciated, net	<u>37,642,933</u>	<u>1,088,074</u>	<u>-</u>	<u>38,731,007</u>
Governmental activity capital assets, net	<u>\$ 49,840,399</u>	<u>3,705,709</u>	<u>2,969,204</u>	<u>50,576,904</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Depreciation expense was charged to the functions as follows:

General government	\$ 73,176
Public safety	145,248
Public works	148,332
Community services	8,205
Water and sewer	458,436
Boat harbor	229,296
Dock	339,549
Senior citizen center	25,010
Landfill	107,700
Education	<u>563,924</u>
Total depreciation expense	<u>\$ 2,098,876</u>

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A schedule of interfund balances and transfers for the year ended June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Waste Water Treatment Plant	
	Capital Project Fund	\$ 508,119
	Water Improvement Capital	
	Project Fund	465,069
Other Governmental Funds	Other Governmental Funds	85,482
	General Fund	<u>1,697,886</u>
Total		<u>\$ 2,756,556</u>

	<u>Transfer In:</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
Transfers Out:	Fund	Governmental	Funds
General Fund	\$ -	1,145,616	1,145,616
Other Governmental Funds	<u>47,307</u>	<u>121,240</u>	<u>168,547</u>
Total	<u>\$ 47,307</u>	<u>1,266,856</u>	<u>1,314,163</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VI. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
\$15,105,000 2008 Series One General Obligation School Bonds, due in annual installments of \$600,000 to \$1,120,000, plus interest at 4.0% to 5.0% through April 1, 2028	\$ 725,000	-	725,000	-	-
\$8,425,000 2016 Series Three and Four General Obligation School Bonds, due in annual installments of \$685,000 to \$1,035,000 plus interest at 4.0% to 5.0% through December 1, 2027	8,425,000	-	-	8,425,000	685,000
Bond premium	1,257,916	-	125,792	1,132,124	125,792
Public works - vehicle lease	8,460	-	8,460	-	-
Two public safety vehicle leases (2013)	13,419	-	13,419	-	-
Public safety vehicle lease (2015)	13,154	-	6,373	6,781	6,781
Public safety vehicle lease (2017)	57,686	-	13,294	44,392	14,019
Dock crane	1,066,208	-	107,500	958,708	110,092
Accrued leave (net)	162,887	207,531	199,285	171,133	171,133
Estimated landfill closure costs	73,440	357,842	-	431,282	-
Net pension and OPEB liabilities	5,808,346	-	133,582	5,674,764	-
Total Long-Term Debt	\$ 17,611,516	565,373	1,332,705	16,844,184	1,112,817

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, 2018 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 685,000	378,450	1,063,450
2020	710,000	350,550	1,060,550
2021	740,000	321,550	1,061,550
2022	775,000	291,250	1,066,250
2023	810,000	255,500	1,065,500
2024-2027	3,670,000	585,750	4,255,750
2028	1,035,000	25,875	1,060,875
Total	\$ 8,425,000	2,208,925	10,633,925

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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

In November 2016, the City issued \$8,425,000 Series Three and Four General Obligation Bonds with an average interest rate of 4.82% to advance refund \$9,190,000 of outstanding 2008 Series One bonds. The bonds were issued at a premium of \$1,383,708. The net proceeds of \$9,734,429 (after payment of \$74,279 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series One bonds. As a result, the 2008 Series One bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2018, the amount of defeased debt still outstanding was \$9,190,000.

The City advance refunded the 2008 Series One bonds to reduce its total debt service payments over the next 10 years by \$1,151,482, and to obtain an economic gain (difference of the present value of the debt service payments on the old and new debt) of \$940,934.

The bond premium is amortized over the life of the bond. \$125,792 is amortized each year through December 1, 2027.

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, six 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, 2018:

		<u>Public Works</u>	<u>Public Safety</u>	<u>Dock</u>	<u>Total</u>
Machinery and equipment	\$	378,251	241,052	1,497,000	2,116,303
Less accumulated depreciation		<u>(298,054)</u>	<u>(187,313)</u>	<u>(149,700)</u>	<u>(635,067)</u>
Carrying value	\$	<u>80,197</u>	<u>53,739</u>	<u>1,347,300</u>	<u>1,481,236</u>

The following is a schedule of future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2018:

<u>Year Ending June 30,</u>	<u>General Fund</u>
2019	156,854
2020	149,634
2021	149,634
2022	133,196
2023	133,196
2024-2026	<u>399,587</u>
Total minimum lease payments	1,122,101
Less interest portion	<u>(112,220)</u>
Present value of future minimum lease payments	1,009,881
Less current portion	<u>(130,892)</u>
Total	<u>\$ 878,989</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VIII. FUND BALANCES

Fund balances at June 30, 2018, 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	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Nonspendable - prepaid	\$ 332,200	8,906	341,106
Restricted:			
Enhanced 911	-	225,460	225,460
Asset forfeiture	-	18,364	18,364
Dillingham Police Department reward	-	400	400
Local support	-	2,293	2,293
Landfill	-	172,044	172,044
Mary Carlson Estate	-	344,581	344,581
Total restricted	<u>-</u>	<u>763,142</u>	<u>763,142</u>
Committed:			
Equipment replacement	-	68,327	68,327
Ambulance reserve	-	499,470	499,470
Project planning	-	28,885	28,885
Dock	-	678,162	678,162
Total committed	<u>-</u>	<u>1,274,844</u>	<u>1,274,844</u>
Assigned:			
Water and sewer	-	104,132	104,132
Boat harbor	-	24,431	24,431
Senior citizens center	-	2,700	2,700
Total assigned	<u>-</u>	<u>131,263</u>	<u>131,263</u>
Unassigned (deficits)	3,744,200	(1,961)	3,742,239
Total fund balances	<u>\$ 4,076,400</u>	<u>2,176,194</u>	<u>6,252,594</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, 2018 is made up of the following:

Capital assets, net of accumulated depreciation	\$ 50,576,904
Less:	
Bonds payable	8,425,000
Bond premium	1,132,124
Capital leases	1,009,881
Net investment in capital assets	<u>\$ 40,009,899</u>

The Landfill and school bonds have deficits of \$355 and 1,626 respectively at year end. The deficits will be covered by a transfer from the General Fund in FY2019.

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 \$1,470,301. 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.

X. Employee Retirement Systems and Plans

The City of Dillingham 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 of Dillingham participates in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan both systems also administer other post-employment benefit (OPEB) 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 designee.

Summary of Significant Accounting Policies. The financial statements for PERS is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City of Dillingham'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 (OPEB)	
Healthcare Reimbursement Arrangement Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Occupational Death and Disability Plan	Cost-sharing, Defined Contribution OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Contribution OPEB
Retiree Medical Plan	Cost-sharing, Defined Contribution OPEB

Other Postemployment Benefit Plans (OPEB)

Occupational Death and Disability Plan (ODD)

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. Membership in the plan consisted of the following at June 30, 2017 (latest available report):

<u>Membership</u>	<u>PERS</u>
Active plan members	19,442
Participating employers	155

Alaska Retiree Healthcare Trust Plan (ARHCT)

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). Membership in the plan consisted of the following at June 30, 2017 (latest report available):

<u>Membership</u>	<u>PERS</u>
Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not yet receiving benefits	5,799
Active plan members	14,956
Total plan membership	<u>55,065</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Retiree Medical Plan (RMP)

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	831
Inactive plan members not entitled to benefits	10,466
Active plan members	19,442
Total plan membership	30,744

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	829
Inactive plan members not entitled to benefits	10,466
Active plan members	19,442
Total plan membership	30,744

Investments

The Board is the investment oversight authority of the system's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210.390.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board's fiduciary responsibility.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense for the year ended June 30, 2017 (latest available report) for the DB Plan for PERS and TRS is 12.99% and 13.04%, for the ARHCT is 12.69% and 12.58%, for the Occupational Death and Disability Plan is 11.97% and 12.03%, and for the Retiree Medical Plan is 11.93% and 11.80%, respectively.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

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

Plan Description. The City of Dillingham 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/drb/pers>.

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 155 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2017 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not receiving benefits	5,799
Active plan members	<u>14,956</u>
Total DB plan membership	<u>55,065</u>

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%.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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.

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 of Dillingham 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 of Dillingham function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City of Dillingham must pay to have a termination study completed. The purpose of the study is to calculate the City of Dillingham'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 of Dillingham 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 2018 the past service rate is 15.28%.

Employee Contribution Rate. The City of Dillingham PERS active members are required to contribute 6.75% (5.25% pension costs and 1.50% OPEB) and if elected, non-teacher school district employees are required to contribute 9.60% (7.47% pension and 2.13% 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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (17.12% pension costs and 4.88% 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 25.01% (19.46% pension and 5.55% 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.

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 2018 is 3.01% (75.54% pension and 24.46% 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.

Employer contributions for the year ended June 30, 2018, were:

Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$ 308,901	114,674	423,575

Public Employees Retirement Plans

For the year ended June 30, 2018 the State of Alaska contributed \$68,527 (75.54% pension cost) and \$22,189 (24.46% OPEB cost) on-behalf of the City of Dillingham, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2017 to a total of \$191,580, to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At June 30, 2018, the City of Dillingham reported liabilities that reflected a reduction for State pension and OPEB support provided to the City of Dillingham. The amount recognized by the City of Dillingham as its proportionate share of net pension and OPEB liabilities, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City of Dillingham were as follows:

Defined Benefit:		<u>Pension</u>
City's proportionate share of the net pension liability	\$	4,893,666
State's proportionate share of the net pension liability		<u>1,824,011</u>
Total	\$	<u>6,717,677</u>
		<u>OPEB</u>
City's proportionate share of the ARHCT OPEB liability	\$	799,564
State's proportionate share of the ARHCT OPEB liability		<u>297,882</u>
Total	\$	<u>1,097,446</u>
Defined Contribution:		
City's proportionate share of the ODD OPEB liability	\$	(29,197)
City's proportionate share of the RMP OPEB liability		<u>10,731</u>
Total	\$	<u>(18,466)</u>
Total District's share of net pension and OPEB liabilities	\$	<u>5,674,764</u>

The net pension and OPEB liabilities were measured as of June 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. The City of Dillingham's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2019 through FY2039, as determined by projections based on the June 30, 2017 valuation. At June 30, 2018, the City of Dillingham's proportion of the pension liability was 0.09467%, which is a decrease of 0.00924% from June 30, 2017. At June 30, 2018, the District's proportion of the OPEB ARCHT, ODD and RMP OPEB liabilities were 0.09465%, 0.20577%, and 0.20577%, respectively, which represent a decrease of 0.00943%, 0.00395%, and 0.00395%, respectively, from June 30, 2017.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Based on the measurement date of June 30, 2017, the City of Dillingham recognized pension and OPEB expense of \$371,515 and \$167,108 for the year ended June 30, 2018. At June 30, 2018, the City of Dillingham reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	(87,983)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	131,265	-
Changes in proportion and differences between District contributions and proportionate share of contributions	6,589	(249,158)
District contributions subsequent to the measurement date	308,901	-
Total	<u>\$ 446,755</u>	<u>(337,141)</u>
	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(43,118)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(250,389)
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(58,460)
District contributions subsequent to the measurement date	88,064	-
Total	<u>\$ 88,064</u>	<u>(351,967)</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

	OPEB ODD	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(861)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,824)
Changes in proportion and differences between District contributions and proportionate share of contributions	810	-
District contributions subsequent to the measurement date	4,474	-
Total	<u>\$ 5,284</u>	<u>(2,685)</u>

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(84)
Changes of assumptions	-	(3,634)
Net difference between projected and actual earnings on OPEB plan investments	-	(5,215)
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(324)
District contributions subsequent to the measurement date	22,136	-
Total	<u>\$ 22,136</u>	<u>(5,623)</u>

\$308,901 and \$114,675 are reported as deferred outflows of resources related to pension and OPEB resulting from the City of Dillingham's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities in the year ended June 30, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended June 30,	Pension	OPEB ARHCT	OPEB ODD	OPEB RMP
2018	\$ (321,396)	(119,030)	(462)	(1,354)
2019	136,687	(107,743)	(462)	(1,354)
2020	61,361	(62,597)	(462)	(1,354)
2021	(75,939)	(62,597)	(462)	(1,354)
2022	-	-	(6)	(50)
Thereafter	-	-	(21)	(157)
Total	<u>\$ (199,287)</u>	<u>(351,967)</u>	<u>(1,875)</u>	<u>(5,623)</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

For the year ended June 30, 2018, the District recognized \$(161,678) and \$(32,418) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

Actuarial Assumptions: The total pension and OPEB liabilities in the June 30, 2017 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. These assumptions were the result of an 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)
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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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.
Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 Medical: 5.8% grading down to 4.0% Prescription drugs: 5.4% grading down to 4.0%

The long-term expected rate of return on pension and OPEB 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	8.83%
Global Ex- U.S. Equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real Assets	4.94%
Absolute Return	4.76%
Private Equity	12.02%
Cash Equivalents	0.63%

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities is 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 and OPEB plans fiduciary net pension and OPEB were 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 and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the Net Pension and OPEB Liabilities 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	\$ 6,428,281	4,893,666	3,597,742
Net OPEB ARHCT liability	\$ 1,711,151	799,564	32,794
Net OPEB ODD liability (asset)	\$ (26,357)	(29,197)	(31,518)
Net OPEB RMP liability (asset)	\$ 50,272	10,731	(20,145)

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Sensitivity of the City of Dillingham's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following present the City of Dillingham's proportionate share of the net OPEB liability, as well as what the City of Dillingham's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB ARHCT liability (asset) \$	(88,694)	799,564	1,867,463
Net OPEB ODD liability (asset)	N/A	(29,197)	N/A
Net OPEB RMP liability (asset)	(26,563)	10,731	60,699

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

Plan Description and Funding Requirements. The City of Dillingham 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. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. 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): 1.03% for the retiree medical plan (DB), 0.16% 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%.

Currently there are 155 employers participating in the defined contribution plan, including the State of Alaska. At June 30, 2017 (latest available report), membership in the DC plan consisted of 1,735 peace officers and firefighters and 19,532 of other members.

Plan members are 100% vested with their contributions.

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%

The City contributed \$184,163 for the year ended June 30, 2018.

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, 2018.

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, 2018 was \$258,944. 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.

A notice of violation has been filed by the Alaska Department of Environmental Conservation alleging nine violations of the city's Alaska Pollutant Discharge Elimination permit for the Dillingham Lagoon. The City is investigating the alleged violation. The notice of violation initiates the enforcement process and the process is still in the early stages. It is difficult to evaluate the likelihood of an unfavorable outcome, including the amount or likelihood of fines.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

XVI. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 25, 2019, 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: Alaska Department of Environmental Conservation alleged nine violations of the city's Alaska Pollutant Discharge Elimination permit for the Dillingham Lagoon, however, we are unable to forecast the potential outcome, including the amount or likelihood of any fine.

The City received notice on June 18, 2018, from the State of Alaska, Department of Administration, Division of Retirement and Benefits that forfeitures from the defined contribution plan for the Public Employees' Retirement System (PERS) can be offset against future contributions effective July 1, 2018. The City has \$250,505 in PERS and to be used against future contributions.

XVII. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note I - O to the financial statements, the City of Dillingham participates in the Alaska Public Employees' Retirement System (PERS). In 2018, the City of Dillingham adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City of Dillingham to recognize its proportional share of the net other postemployment benefit (OPEB) plans liability (and related deferred inflow/outflow accounts), as of the beginning of the City of Dillingham's fiscal year. As a result of the implementation of these statements, the City of Dillingham has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:	
Opening net position, as originally presented	\$ 39,569,585
Change in accounting principle adjustment	<u>(1,011,931)</u>
Opening net position, as restated	\$ <u>38,557,654</u>

XVIII. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

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

- GASB 83 – Certain Retirement Obligations. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 – Fiduciary Activities. Effective for fiscal years beginning after December 15, 2018.
- GASB 87 – Leases. Effective for fiscal years beginning after December 15, 2019.
- GASB 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. Effective for fiscal years beginning after June 15, 2018.
- GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2019.
- GASB 90 – Majority Equity Interests. Effective for fiscal years beginning after December 15, 2018.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Statements 83, and 84 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct payments. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt and requires enhanced footnote disclosures.

GASB Statement No. 89 requires interest costs incurred before the end of a construction period to be recognized as an expenditure or expense in the period in which the cost is incurred for financial statements prepared under the current financial resources measurement focus or the economic resource measurement focus.

GASB Statement No. 90 requires a majority equity interest in a legally separate entity should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. Those governments and funds should measure the majority interests at fair value. For all other holdings of majority interests in a legally separate entity, a government should report the legal separate entity as a component unit.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF DILLINGHAM, ALASKA

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

Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0605%	\$ 2,822,639	\$ 2,767,785	\$ 5,590,424	\$ 1,627,839	173%	62.37%
2016	0.0992%	\$ 4,808,667	\$ 1,289,971	\$ 6,098,638	\$ 3,784,496	127%	63.96%
2017	0.1039%	\$ 5,808,346	\$ 734,198	\$ 6,542,544	\$ 3,933,622	148%	59.55%
2018	0.0947%	\$ 4,893,666	\$ 1,824,011	\$ 6,717,677	\$ 4,060,508	121%	63.37%

Notes to Schedule:

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF DILLINGHAM, ALASKA

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

Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
Alaska Retiree Healthcare Trust Plan (ARHCT):							
2018	0.0947%	\$ 799,564	\$ 297,882	\$ 1,097,446	\$ 4,060,508	19.69%	89.68%
Occupational Death and Disability (ODD):							
2018	0.2058%	\$ (29,197)	\$ -	\$ (29,197)	\$ 4,060,508	-0.72%	212.97%
Retiree Medical Plan (RMP):							
2018	0.2058%	\$ 10,731	\$ -	\$ 10,731	\$ 876,791	1.22%	93.98%

Notes to Schedule:

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF DILLINGHAM, ALASKA
 Schedule of City's Contributions (Pensions)
 Public Employees' Retirement System (PERS)

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 240,625	\$ (240,625)	\$ -	\$ 3,784,496	6.36%
2016	\$ 253,526	\$ (253,526)	\$ -	\$ 3,933,622	6.45%
2017	\$ 286,868	\$ (286,868)	\$ -	\$ 4,060,508	7.06%
2018	\$ 308,901	\$ (308,901)	\$ -	\$ 2,762,441	11.18%

Notes to schedule

1. Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.
4. Amortization method: Level dollar, closed.
5. Amortization period: 25 years, as a level of percentage of payroll.
6. Equivalent single amortization period: 17 years.
7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
8. Inflation: 3.12% per annum.
9. Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
12. Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
13. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.
15. In fiscal year 2018 the City included pension DBUL into the contractually required contribution. This will be a prospective change.

CITY OF DILLINGHAM, ALASKA

Schedule of City's Contributions (OPEB)

Public Employees' Retirement System (PERS)

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Alaska Retiree Healthcare Trust Plan (ARHCT):					
2018	\$ 88,064	\$ (88,064)	\$ -	\$ 2,762,441	3.19%
Occupational Death and Disability (ODD):					
2018	\$ 4,474	\$ (4,474)	\$ -	\$ 2,762,441	0.16%
Retiree Medical Plan (RMP):					
2018	\$ 22,136	\$ (22,136)	\$ -	\$ 837,100	2.64%

Notes to schedule

- Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
- 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 - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Equivalent single amortization period: 17 years.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of OPEB 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: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
- This schedule is intended to present 10 years of information. Additional years' information 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,	2018			2017
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal government:				
Payment in lieu of taxes	\$ 450,800	450,803	3	446,018
Total federal government	<u>450,800</u>	<u>450,803</u>	<u>3</u>	<u>446,018</u>
State of Alaska:				
Revenue sharing	132,692	133,547	855	132,833
Raw fish tax	398,350	398,350	-	167,849
Shared fisheries business tax	18,650	18,650	-	36,610
Electric and telephone co-op tax	70,000	69,625	(375)	62,525
PERS relief	109,226	72,206	(37,020)	103,800
Liquor licenses	4,500	4,000	(500)	5,200
Motor vehicle tax	27,000	34,404	7,404	32,917
Total State of Alaska	<u>760,418</u>	<u>730,782</u>	<u>(29,636)</u>	<u>541,734</u>
Bristol Bay Housing Authority - payment in lieu of taxes				
	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>	<u>1,175</u>
Local sources:				
Taxes:				
Sales taxes	2,550,000	2,707,231	157,231	2,510,094
Alcohol sales taxes	300,000	312,518	12,518	287,562
Transient lodging sales taxes	85,000	92,455	7,455	80,286
Nushagak raw fish tax	-	1,016	1,016	306
Real property taxes	1,900,000	1,866,450	(33,550)	1,675,102
Personal property taxes	620,000	524,624	(95,376)	546,598
Penalty and interest on property taxes	50,000	49,079	(921)	39,555
Penalty and interest on sales taxes	20,000	9,974	(10,026)	17,909
Gaming taxes	70,000	77,982	7,982	78,546
Total taxes	\$ <u>5,595,000</u>	<u>5,641,329</u>	<u>46,329</u>	<u>5,235,958</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,	2018			2017
	Budget	Actual	Variance	Actual
Revenues, continued:				
Local sources, continued:				
Charges for services:				
Contract revenue	\$ 558,000	550,770	(7,230)	534,851
Commissary	6,000	3,650	(2,350)	4,606
Court deposits	21,500	21,257	(243)	4,703
Fines and fees	4,500	6,178	1,678	4,192
Administrative overhead charges	260,287	279,993	19,706	223,368
Document copies	200	10	(190)	22
Platting and mapping fees	500	640	140	240
Ambulance fees	57,500	74,207	16,707	57,414
Other	-	1,293	1,293	1,055
Total charges for services	<u>908,487</u>	<u>937,998</u>	<u>29,511</u>	<u>830,451</u>
Licenses and permits:				
Animal licenses	1,150	1,680	530	955
Business licenses	15,000	17,400	2,400	17,000
Land use permits	900	333	(567)	1,344
Total licenses and permits	<u>17,050</u>	<u>19,413</u>	<u>2,363</u>	<u>19,299</u>
Fines and forfeitures:				
Title 47 fines	<u>14,500</u>	<u>14,952</u>	<u>452</u>	<u>9,635</u>
Lease and rental income	<u>44,800</u>	<u>47,305</u>	<u>2,505</u>	<u>55,549</u>
Investment income	<u>30,000</u>	<u>10,765</u>	<u>(19,235)</u>	<u>2,343</u>
Other revenues:				
DMV commission revenue	41,000	36,462	(4,538)	43,233
Property sales	-	3,659	3,659	-
Donations and contributions	650	2,643	1,993	5,233
Miscellaneous	<u>12,100</u>	<u>10,565</u>	<u>(1,535)</u>	<u>45,901</u>
Total other revenues	<u>53,750</u>	<u>53,329</u>	<u>(421)</u>	<u>94,367</u>
Total revenues	<u>\$ 7,876,805</u>	<u>7,906,676</u>	<u>29,871</u>	<u>7,236,529</u>

(continued)

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

Years Ended June 30,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures:				
General government:				
City council:				
Lobbying	\$ 30,000	30,000	-	30,000
Contract labor	-	-	-	490
Annexation project	1,500	1,080	420	24,927
Council contributions	10,500	10,112	388	311
Subscriptions and memberships	4,500	4,414	86	4,481
Telephone	300	311	(11)	611
Travel	2,000	140	1,860	120
Training	1,000	310	690	-
Food	500	296	204	501
Supplies	200	148	52	80
Advertising	2,000	1,948	52	902
Total city council	<u>52,500</u>	<u>48,759</u>	<u>3,741</u>	<u>62,423</u>
City clerk:				
Salaries	80,693	77,683	3,010	81,985
Employee benefits	33,655	28,964	4,691	40,853
Subscriptions and memberships	470	300	170	250
Supplies	1,000	406	594	223
Elections	3,500	3,431	69	3,349
Codification	2,000	1,245	755	1,452
Total city clerk	<u>121,318</u>	<u>112,029</u>	<u>9,289</u>	<u>128,112</u>
City administration:				
Salaries	189,837	188,775	1,062	184,283
Overtime salaries	3,500	3,318	182	34
Employee benefits	57,196	50,473	6,723	82,570
Recruiting	10,900	10,874	26	-
Contract labor	15,700	15,757	(57)	26,592
Advertising	500	-	500	133
Travel	2,000	2,254	(254)	1,087
Subscriptions and memberships	250	330	(80)	-
Supplies	2,000	1,590	410	301
Training	1,000	-	1,000	175
Minor tools and equipment	-	-	-	50
Total city administration	<u>\$ 282,883</u>	<u>273,371</u>	<u>9,512</u>	<u>295,225</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,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued				
Finance:				
Salaries	\$ 355,442	337,846	17,596	343,509
Overtime salaries	-	2,094	(2,094)	1,031
Employee benefits	200,491	181,969	18,522	187,240
Appraisal	24,000	36,000	(12,000)	24,000
Contract labor	-	16,417	(16,417)	-
Advertising	1,000	616	384	1,758
Subscriptions and memberships	95	90	5	325
Travel	750	525	225	-
Bank charges	5,000	1,946	3,054	5,321
Supplies	2,000	5,033	(3,033)	3,426
Computer software	1,500	10,009	(8,509)	13,709
Minor tools and equipment	1,760	1,488	272	1,450
Total finance	<u>592,038</u>	<u>594,033</u>	<u>(1,995)</u>	<u>581,769</u>
Legal	<u>90,000</u>	<u>59,513</u>	<u>30,487</u>	<u>149,299</u>
Insurance:				
General liability	35,000	34,709	291	43,798
Property	88,000	86,181	1,819	71,572
Automobile	37,000	36,530	470	30,085
Claims deductibles	<u>5,000</u>	<u>3,629</u>	<u>1,371</u>	<u>17,825</u>
Total insurance	<u>165,000</u>	<u>161,049</u>	<u>3,951</u>	<u>163,280</u>
Nondepartmental:				
Contract labor	1,000	1,050	(50)	1,860
Accounting services and audit	58,592	65,281	(6,689)	63,259
Advertising	500	523	(23)	1,098
Credit card processing fees	1,000	1,048	(48)	35,183
Supplies	10,000	10,775	(775)	7,845
Postage	9,000	9,831	(831)	10,745
Telephone	11,000	7,226	3,774	9,655
Internet	20,647	17,543	3,104	9,629
Food	500	497	3	486
Gas, oil and grease	-	261	(261)	217
Vehicle maintenance	-	349	(349)	2,271
Computer hardware	-	435	(435)	25,455
Computer supplies and software	-	7,369	(7,369)	-
Computer support services	51,052	40,632	10,420	41,184
Equipment maintenance	3,680	2,989	691	3,535
Leased equipment	2,000	-	2,000	1,365
Total nondepartmental	<u>\$ 168,971</u>	<u>165,809</u>	<u>3,162</u>	<u>213,787</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,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
Planning:				
Salaries	\$ 53,976	47,755	6,221	69,606
Employee benefits	37,179	27,507	9,672	39,280
Contract labor	22,500	5,530	16,970	14,394
Advertising	750	-	750	384
Subscriptions and memberships	400	400	-	510
Travel	300	-	300	-
Training	-	-	-	130
Recording fees	200	56	144	-
Supplies	750	1,309	(559)	409
Telephone	100	119	(19)	38
Total planning	<u>116,155</u>	<u>82,676</u>	<u>33,479</u>	<u>124,751</u>
Foreclosed property:				
Foreclosure costs	2,000	-	2,000	976
Legal	2,000	2,707	(707)	5,983
Total foreclosed property	<u>4,000</u>	<u>2,707</u>	<u>1,293</u>	<u>6,959</u>
Total general government	<u>1,592,865</u>	<u>1,499,946</u>	<u>92,919</u>	<u>1,725,605</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	293,767	284,167	9,600	284,355
Overtime salaries	30,000	38,372	(8,372)	22,417
Employee benefits	178,383	174,864	3,519	176,702
Computer support services	-	1,338	(1,338)	-
Travel	-	-	-	989
Telephone	210	245	(35)	449
APSIN contract	710	709	1	709
Uniforms	650	650	-	-
Minor tools and equipment	3,300	356	2,944	945
Total police dispatch	<u>507,020</u>	<u>500,701</u>	<u>6,319</u>	<u>486,566</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,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Police department:				
Salaries	\$ 397,072	356,877	40,195	389,085
Overtime salaries	50,000	50,187	(187)	46,369
Employee benefits	222,318	187,153	35,165	200,146
Recruiting	2,700	-	2,700	-
Contract labor and towing	300	900	(600)	50
Travel and training	800	775	25	-
Supplies	250	243	7	294
Uniforms	5,500	4,135	1,365	1,322
Vehicle lease	38,150	37,876	274	43,344
Minor tools and equipment	10,000	10,073	(73)	5,540
Equipment maintenance	1,150	1,014	136	640
Total police department	<u>728,240</u>	<u>649,233</u>	<u>79,007</u>	<u>686,790</u>
Jail:				
Salaries	334,445	326,870	7,575	335,599
Overtime salaries	26,000	18,331	7,669	24,194
Employee benefits	201,400	182,992	18,408	190,878
Insurance	6,000	5,206	794	18,620
Subscriptions and memberships	-	50	(50)	-
Travel	100	965	(865)	1,483
Training	1,350	-	1,350	-
Supplies	10,500	6,833	3,667	6,577
Uniforms	800	696	104	832
Food	27,000	11,841	15,159	18,599
Minor tools and equipment	6,000	2,477	3,523	3,001
Telephone	5,150	3,302	1,848	4,371
Internet	2,250	1,409	841	1,813
Electricity	12,000	11,683	317	12,038
Heating fuel	5,800	6,977	(1,177)	6,471
Water and sewer	3,000	4,397	(1,397)	4,010
Refuse collection	1,500	1,616	(116)	1,272
Equipment maintenance	400	133	267	421
Required inspections	800	1,390	(590)	1,390
Total jail	<u>644,495</u>	<u>587,168</u>	<u>57,327</u>	<u>631,569</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,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Department of motor vehicles:				
Salaries	\$ 29,477	29,149	328	31,604
Employee benefits	12,937	12,264	673	12,337
Minor tools and equipment	200	237	(37)	120
Total department of motor vehicles	<u>42,614</u>	<u>41,650</u>	<u>964</u>	<u>44,061</u>
Fire department:				
Salaries	105,126	102,232	2,894	106,132
Overtime salaries	1,000	245	755	-
Employee benefits	53,297	58,947	(5,650)	52,516
Contractual	5,000	-	5,000	4,008
Insurance	500	347	153	490
Advertising	1,200	-	1,200	1,557
Subscriptions and memberships	800	981	(181)	400
Travel	1,000	291	709	-
Training	6,000	1,976	4,024	485
Supplies	1,500	505	995	729
Postage	500	144	356	138
EMS and fire supplies	5,000	5,416	(416)	8,714
Personal protective equipment	9,600	-	9,600	-
Public education	500	-	500	587
Ambulance billing	4,300	5,194	(894)	5,235
Minor tools and equipment	3,000	1,881	1,119	3,472
Major equipment	6,800	13,250	(6,450)	613
Janitorial	350	-	350	-
Fire department equipment replacement	5,500	305	5,195	277
Building repairs	-	-	-	268
Vehicle maintenance	-	2	(2)	-
Telephone	1,500	1,572	(72)	2,900
Internet	4,000	5,488	(1,488)	5,971
Electricity	6,600	6,760	(160)	7,395
Heating fuel	5,000	13,486	(8,486)	11,185
Water and sewer	7,000	8,794	(1,794)	7,816
Refuse	1,500	1,616	(116)	1,344
Required inspections	1,900	1,174	726	207
Sample testing	-	148	(148)	80
Member recognition	3,500	3,706	(206)	1,201
Airport lease	550	644	(94)	650
Total fire department	<u>242,523</u>	<u>235,104</u>	<u>7,419</u>	<u>224,370</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>2018 Actual</u>	<u>Variance</u>	<u>2017 Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	\$ 56,805	57,138	(333)	55,547
Overtime salaries	4,000	3,568	432	2,002
Employee benefits	27,830	26,959	871	27,460
Subscriptions and memberships	800	-	800	-
Supplies	700	1,039	(339)	332
Food items	300	-	300	-
Uniforms	150	-	150	-
Minor tools and equipment	600	504	96	691
Telephone and internet	1,465	1,481	(16)	1,397
Electricity	2,400	4,757	(2,357)	2,766
Heating fuel	2,200	2,587	(387)	2,194
Water and sewer	2,300	2,931	(631)	2,605
Total animal control	<u>99,550</u>	<u>100,964</u>	<u>(1,414)</u>	<u>94,994</u>
Administration:				
Salaries	72,838	72,332	506	72,232
Employee benefits	36,402	35,035	1,367	36,688
Advertising	150	-	150	57
Insurance	6,000	5,206	794	18,620
Subscriptions and memberships	400	270	130	200
Travel	400	374	26	-
Court processing	600	482	118	497
Supplies	1,500	779	721	1,384
Postage	1,300	1,226	74	1,390
Uniforms	200	225	(25)	-
Telephone	5,150	5,156	(6)	7,183
Internet	1,750	1,409	341	1,663
Electricity	12,000	11,683	317	12,038
Water and sewer	3,000	4,397	(1,397)	3,806
Heating fuel	5,800	6,977	(1,177)	6,471
Refuse collection	2,000	1,616	384	1,272
Required inspections	500	1,065	(565)	-
Total administration	<u>149,990</u>	<u>148,232</u>	<u>1,758</u>	<u>163,501</u>
Total public safety	<u>2,414,432</u>	<u>2,263,052</u>	<u>151,380</u>	<u>2,331,851</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,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works:				
Administration:				
Salaries	\$ 118,538	105,501	13,037	114,930
Overtime salaries	618	110	508	465
Employee benefits	58,059	48,096	9,963	58,991
Advertising	1,000	1,118	(118)	466
Subscriptions and memberships	500	-	500	269
Travel	-	-	-	1,034
Supplies	400	1,228	(828)	758
Telephone	1,000	885	115	1,667
Internet	1,750	1,998	(248)	1,717
Minor tools and equipment	400	16	384	-
Leased equipment	300	-	300	-
Equipment maintenance	300	296	4	295
Total administration	<u>182,865</u>	<u>159,248</u>	<u>23,617</u>	<u>180,592</u>
Building and grounds maintenance:				
Salaries	117,390	104,036	13,354	121,410
Overtime salaries	8,405	5,522	2,883	8,671
Employee benefits	68,881	58,879	10,002	76,865
Contract labor	2,000	-	2,000	1,157
Supplies	2,000	418	1,582	724
Gas, oil and grease	-	-	-	34
Safety equipment	1,000	534	466	886
Minor tools and equipment	2,000	3,862	(1,862)	1,202
Telephone	1,750	1,543	207	2,095
Electricity	10,000	10,835	(835)	12,107
Heating fuel	9,000	13,771	(4,771)	15,729
Water and sewer	1,500	1,835	(335)	1,631
Janitorial	41,000	34,200	6,800	38,200
Building repairs	30,000	33,493	(3,493)	28,306
Total building and grounds maintenance	<u>294,926</u>	<u>268,928</u>	<u>25,998</u>	<u>309,017</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,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Shop maintenance:				
Salaries	\$ 60,371	22,734	37,637	22,307
Overtime salaries	3,414	2,528	886	3,067
Employee benefits	61,967	37,353	24,614	63,134
Supplies	6,000	6,877	(877)	5,111
Gas, oil and grease	51,000	64,438	(13,438)	51,408
Used oil management	1,500	4,559	(3,059)	494
Minor tools and equipment	5,000	5,882	(882)	506
Safety equipment	1,000	1,283	(283)	1,398
Telephone	600	411	189	557
Electricity	12,000	14,434	(2,434)	14,636
Heating fuel	8,000	4,467	3,533	12,015
Refuse collection	2,300	3,152	(852)	2,496
Vehicle maintenance	28,750	60,111	(31,361)	35,233
Required inspections	600	462	138	362
Equipment maintenance	55,000	65,988	(10,988)	55,148
Total shop maintenance	<u>297,502</u>	<u>294,679</u>	<u>2,823</u>	<u>267,872</u>
Streets:				
Salaries	147,078	138,365	8,713	103,891
Overtime salaries	27,502	32,696	(5,194)	19,150
Employee benefits	81,974	71,291	10,683	55,030
Contractual	75,000	74,035	965	99,677
Insurance	6,000	5,553	447	10,305
Travel	-	-	-	636
Supplies	1,500	928	572	1,895
Salt and calcium	30,000	29,395	605	30,368
Street signs	1,000	-	1,000	73
Road maintenance	20,000	45,906	(25,906)	21,055
Gravel and sand	30,000	-	30,000	44,925
Minor tools and equipment	1,000	1,752	(752)	306
Safety equipment	1,000	2,059	(1,059)	1,488
Electricity	24,000	26,833	(2,833)	26,307
Leased equipment	9,000	9,006	(6)	15,221
Total streets	<u>455,054</u>	<u>437,819</u>	<u>17,235</u>	<u>430,327</u>
Total public works	<u>1,230,347</u>	<u>1,160,674</u>	<u>69,673</u>	<u>1,187,808</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,	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Community services:				
Library:				
Salaries	\$ 72,526	73,031	(505)	57,710
Overtime salaries	-	517	(517)	309
Employee benefits	13,850	13,498	352	10,486
Subscriptions and memberships	1,800	1,794	6	1,720
Travel	-	-	-	207
Supplies	400	-	400	-
Postage	200	540	(340)	123
Audio visual	300	274	26	6
Books	500	500	-	-
Periodicals	400	594	(194)	132
Collection preservation	1,000	1,003	(3)	366
Summer reading program	300	791	(491)	490
Minor tools and equipment	200	1,933	(1,733)	792
Telephone	998	1,059	(61)	631
Internet	500	1,653	(1,153)	-
Electricity	4,000	3,857	143	4,202
Heating fuel	2,500	2,452	48	2,388
Water and sewer	1,364	1,835	(471)	1,631
Refuse collection	500	445	55	300
Building repairs	-	-	-	693
Required inspections	200	-	200	-
Software	1,200	660	540	660
Equipment maintenance	1,800	1,748	52	1,759
Total library	<u>104,538</u>	<u>108,184</u>	<u>(3,646)</u>	<u>84,605</u>
Meeting hall:				
Telephone	600	410	190	577
Electricity	900	693	207	860
Water and sewer	1,600	1,835	(235)	1,631
Total meeting hall	<u>3,100</u>	<u>2,938</u>	<u>162</u>	<u>3,068</u>
Total community services	<u>107,638</u>	<u>111,122</u>	<u>(3,484)</u>	<u>87,673</u>
Total expenditures	<u>6,645,282</u>	<u>6,334,794</u>	<u>310,488</u>	<u>6,632,937</u>
Excess of revenues over expenditures	<u>1,231,523</u>	<u>1,571,882</u>	<u>340,359</u>	<u>603,592</u>
Other financing sources (uses):				
Transfers in	47,307	47,307	-	49,026
Transfers out	(1,479,881)	(1,145,616)	334,265	(1,621,495)
Net other financing sources (uses)	<u>(1,432,574)</u>	<u>(1,098,309)</u>	<u>334,265</u>	<u>(1,572,469)</u>
Net change in fund balance	\$ <u>(201,051)</u>	473,573	<u>674,624</u>	(968,877)
Fund balance at beginning of year		<u>3,602,827</u>		<u>4,571,704</u>
Fund balance at end of year		\$ <u>4,076,400</u>		<u>3,602,827</u>

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

<i>Years Ended June 30,</i>	<u>2018</u>	<u>2017</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ <u>607,032</u>	<u>65,050</u>
Local sources - local assistance	<u>26,202</u>	<u>24,998</u>
Total revenues	<u>633,234</u>	<u>90,048</u>
Expenditures - capital outlay - public safety	<u>633,234</u>	<u>90,048</u>
Excess of revenues over expenditures	\$ <u>-</u>	<u>-</u>
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>

CITY OF DILLINGHAM, ALASKA
Wastewater System Improvement Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	<u>2018</u>	<u>2017</u>
	<u>Actual</u>	<u>Actual</u>
Revenues:		
Intergovernmental:		
Federal	\$ 366,411	85,237
State of Alaska	992,701	1,142,478
Total revenues	<u>1,359,112</u>	<u>1,227,715</u>
Local sources - local assistance	-	100,000
Total revenues	<u>1,359,112</u>	<u>1,327,715</u>
Expenditures - capital outlay - public safety	<u>1,359,112</u>	<u>1,327,715</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
Other Governmental Funds
Combining Balance Sheet

June 30, 2018

	Special Revenue Funds									
	Water and Sewer	Landfill	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Dillingham Police Department Reward	Library	Local Support	Dock
<u>Assets</u>										
Cash and investments	\$ -	100	100	-	-	510	-	-	-	-
Receivables:										
Accounts	213,684	40,232	31,858	-	-	9,331	-	8,444	22,763	133,747
Allowance for uncollectible accounts	(34,830)	(372)	(5,490)	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-	8,906
Due from other funds	53,027	-	40,611	225,460	27,577	1,288	400	-	-	577,065
Restricted cash and investments	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 231,881</u>	<u>39,960</u>	<u>67,079</u>	<u>225,460</u>	<u>27,577</u>	<u>11,129</u>	<u>400</u>	<u>8,444</u>	<u>22,763</u>	<u>719,718</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</u>										
Liabilities:										
Accounts payable	\$ 19,022	16,213	31,085	-	9,213	3,066	-	3,884	-	6,569
Accrued payroll and related liabilities	4,531	6,454	6,378	-	-	5,363	-	-	9,230	14,540
Due to other funds	-	17,628	-	-	-	-	-	4,560	11,240	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>23,553</u>	<u>40,295</u>	<u>37,463</u>	<u>-</u>	<u>9,213</u>	<u>8,429</u>	<u>-</u>	<u>8,444</u>	<u>20,470</u>	<u>21,109</u>
Deferred inflows of resources - delinquent property taxes and user fees	<u>104,196</u>	<u>-</u>	<u>5,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,541</u>
Fund balances(deficits):										
Nonspendable	-	-	-	-	-	-	-	-	-	8,906
Restricted	-	-	-	225,460	18,364	-	400	-	2,293	-
Committed	-	-	-	-	-	-	-	-	-	678,162
Assigned	104,132	-	24,431	-	-	2,700	-	-	-	-
Unassigned (deficits)	-	(335)	-	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>104,132</u>	<u>(335)</u>	<u>24,431</u>	<u>225,460</u>	<u>18,364</u>	<u>2,700</u>	<u>400</u>	<u>-</u>	<u>2,293</u>	<u>687,068</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 231,881</u>	<u>39,960</u>	<u>67,079</u>	<u>225,460</u>	<u>27,577</u>	<u>11,129</u>	<u>400</u>	<u>8,444</u>	<u>22,763</u>	<u>719,718</u>

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

	Capital Project Funds							Debt Service Fund	Mary Carlson Estate Permanent Fund	Total Other Governmental Funds
	Dock and Harbor	School Bonds	Equipment Replacement	Ambulance Reserve	Planning	Landfill	Public Safety			
<u>Assets</u>										
Cash and investments	\$ -	-	-	-	-	-	-	-	-	710
Receivables:										
Accounts	1,853	-	-	-	-	-	8,021	-	-	469,933
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	(40,692)
Prepays	-	-	-	-	-	-	-	-	-	8,906
Due from other funds	3,284	374	68,327	499,470	28,885	172,044	74	-	-	1,697,886
Restricted cash and investments	-	-	-	-	-	-	-	-	387,801	387,801
Total assets	\$ <u>5,137</u>	<u>374</u>	<u>68,327</u>	<u>499,470</u>	<u>28,885</u>	<u>172,044</u>	<u>74</u>	<u>8,021</u>	<u>387,801</u>	<u>2,524,544</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</u>										
Liabilities:										
Accounts payable	\$ 992	2,000	-	-	-	-	-	-	48	92,092
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	46,496
Due to other funds	861	-	-	-	-	-	8,021	43,172	-	85,482
Unearned revenue	3,284	-	-	-	-	-	74	-	-	3,358
Total liabilities	<u>5,137</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>	<u>8,021</u>	<u>43,220</u>	<u>227,428</u>
Deferred inflows of resources - delinquent property taxes and user fees	-	-	-	-	-	-	-	-	-	120,922
Fund balances (deficits):										
Nonspendable	-	-	-	-	-	-	-	-	-	8,906
Restricted	-	-	-	-	-	172,044	-	-	344,581	763,142
Committed	-	-	68,327	499,470	28,885	-	-	-	-	1,274,844
Assigned	-	-	-	-	-	-	-	-	-	131,263
Unassigned (deficits)	-	(1,626)	-	-	-	-	-	-	-	(1,961)
Total fund balances (deficits)	<u>-</u>	<u>(1,626)</u>	<u>68,327</u>	<u>499,470</u>	<u>28,885</u>	<u>172,044</u>	<u>-</u>	<u>-</u>	<u>344,581</u>	<u>2,176,194</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ <u>5,137</u>	<u>374</u>	<u>68,327</u>	<u>499,470</u>	<u>28,885</u>	<u>172,044</u>	<u>74</u>	<u>8,021</u>	<u>387,801</u>	<u>2,524,544</u>

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

Year Ended June 30, 2018

	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	Dock
Revenues:											
Intergovernmental:											
Federal sources	\$ -	-	-	-	-	80,740	-	10,711	-	-	-
State of Alaska	3,422	5,092	1,673	-	-	78,421	-	13,200	-	-	5,039
Local sources:											
Local assistance	-	-	-	-	-	80,880	-	71,842	4,800	45,118	-
Charges for services	632,739	223,283	146,871	71,118	-	-	-	-	-	-	815,398
Lease and rental income	-	-	21,033	-	-	30,970	-	-	-	-	-
Asset forfeiture	-	-	-	-	18,900	-	-	-	-	-	-
Investment income (loss)	-	-	-	553	45	-	-	-	-	-	1,688
Other	26,920	-	5,695	-	-	13,299	-	-	-	-	74,396
Total revenues	<u>663,081</u>	<u>228,375</u>	<u>175,272</u>	<u>71,671</u>	<u>18,945</u>	<u>284,310</u>	<u>-</u>	<u>95,753</u>	<u>4,800</u>	<u>45,118</u>	<u>896,521</u>
Expenditures:											
Current:											
Public safety	-	-	-	-	11,615	-	-	4,800	-	-	-
Community services	-	-	-	-	-	-	95,753	-	45,118	-	-
Water and sewer	798,143	-	-	-	-	-	-	-	-	-	-
Landfill	-	613,758	-	-	-	-	-	-	-	-	-
Dock	-	-	-	-	-	-	-	-	-	-	878,907
Boat harbor	-	-	296,512	-	-	-	-	-	-	-	-
Senior citizen center	-	-	-	-	-	442,502	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>798,143</u>	<u>613,758</u>	<u>296,512</u>	<u>-</u>	<u>11,615</u>	<u>442,502</u>	<u>-</u>	<u>95,753</u>	<u>4,800</u>	<u>45,118</u>	<u>878,907</u>
Excess (deficiency) of revenues over expenditures	<u>(135,062)</u>	<u>(385,383)</u>	<u>(121,240)</u>	<u>71,671</u>	<u>7,330</u>	<u>(158,192)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,614</u>
Other financing sources (uses):											
Transfers in	194,095	385,383	121,241	-	-	161,592	-	-	-	-	-
Transfers out	-	-	-	(47,307)	-	-	-	-	-	-	(121,240)
Net other financing sources (uses)	<u>194,095</u>	<u>385,383</u>	<u>121,241</u>	<u>(47,307)</u>	<u>-</u>	<u>161,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(121,240)</u>
Net change in fund balances	59,033	-	1	24,364	7,330	3,400	-	-	-	-	(103,626)
Fund balances (deficits) at beginning of year	45,099	(335)	24,430	201,096	11,034	(700)	400	-	-	2,293	790,694
Fund balances (deficits) at end of year	<u>\$ 104,132</u>	<u>(335)</u>	<u>24,431</u>	<u>225,460</u>	<u>18,364</u>	<u>2,700</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,293</u>	<u>687,068</u>

(continued)

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

	Capital Project Funds							Debt Service Fund	Mary Carlson Estate Permanent Fund	Total Other Governmental Funds
	Dock and Harbor	School Bonds	Equipment Replacement	Ambulance Reserve	Planning	Landfill	Public Safety			
Revenues:										
Intergovernmental:										
Federal government	\$ -	-	-	-	-	-	-	-	-	91,451
State of Alaska	-	-	-	-	-	-	4,800	802,105	-	913,752
Local sources:										
Local assistance	-	-	-	-	-	-	-	-	-	202,640
Charges for services	-	-	-	-	-	-	-	-	-	1,889,409
Lease and rental income	-	-	-	-	-	-	-	-	-	52,003
Asset forfeiture	-	-	-	-	-	-	-	-	-	18,900
Investment income	-	59	-	-	-	-	-	-	1,443	3,788
Other	7,783	-	-	-	-	-	-	-	-	128,093
Total revenues	<u>7,783</u>	<u>59</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>802,105</u>	<u>1,443</u>	<u>3,300,036</u>
Expenditures:										
Current:										
Public safety	-	-	-	-	-	-	-	-	-	16,415
Community services	-	-	-	-	-	-	-	-	1,412	142,283
Water and sewer	-	-	-	-	-	-	-	-	-	798,143
Landfill	-	-	-	-	-	-	-	-	-	613,758
Dock	-	-	-	-	-	-	-	-	-	878,907
Boat harbor	-	-	-	-	-	-	-	-	-	296,512
Senior citizen center	-	-	-	-	-	-	-	-	-	442,502
Debt service	-	-	-	-	-	-	-	1,146,150	-	1,146,150
Capital outlay	7,783	2,000	64,546	9,104	-	-	4,800	-	-	88,233
Total expenditures	<u>7,783</u>	<u>2,000</u>	<u>64,546</u>	<u>9,104</u>	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>1,146,150</u>	<u>1,412</u>	<u>4,422,903</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,941)</u>	<u>(64,546)</u>	<u>(9,104)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(344,045)</u>	<u>31</u>	<u>(1,122,867)</u>
Other financing sources (uses) -										
Transfers in	-	-	-	60,500	-	-	-	344,045	-	1,266,856
Transfers out	-	-	-	-	-	-	-	-	-	(168,547)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,045</u>	<u>-</u>	<u>1,098,309</u>
Net change in fund balances	-	(1,941)	(64,546)	51,396	-	-	-	-	31	(24,558)
Fund balances (deficits) at beginning of year	-	315	132,873	448,074	28,885	172,044	-	-	344,550	2,200,752
Fund balances (deficits) at end of year	\$ <u>-</u>	<u>(1,626)</u>	<u>68,327</u>	<u>499,470</u>	<u>28,885</u>	<u>172,044</u>	<u>-</u>	<u>-</u>	<u>344,581</u>	<u>2,176,194</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.

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,	2018		Variance	2017
	Budget	Actual		Actual
Revenues:				
Intergovernmental:				
State PERS relief	\$ 6,444	3,422	(3,022)	5,425
Local sources:				
Charges for services:				
Water sales	184,500	219,449	34,949	195,754
Sewer fees	338,750	413,290	74,540	343,783
Total charges for services	523,250	632,739	109,489	539,537
Other	23,000	26,920	3,920	47,829
Total revenues	552,694	663,081	110,387	592,791
Expenditures:				
Water:				
Salaries	65,930	49,665	16,265	43,286
Overtime salaries	10,477	9,675	802	5,576
Employee benefits	45,658	34,685	10,973	28,119
Contract labor	25,000	-	25,000	1,495
Insurance	2,500	1,735	765	3,435
Travel and training	1,000	462	538	1,680
Supplies	5,250	802	4,448	5,050
Gas, oil and grease	1,500	1,629	(129)	3,182
Chemicals	5,000	-	5,000	-
Minor tools and equipment	2,000	18,090	(16,090)	3,682
Engineering/construction	186,000	230,997	(44,997)	-
Utilities and telephone	25,530	32,510	(6,980)	34,479
Memberships	-	100	(100)	-
Building and equipment repairs	5,500	4,783	717	9,110
Sample testing and inspections	5,500	1,675	3,825	9,449
Administrative overhead	38,365	38,364	1	14,678
Total water	425,210	425,172	38	163,221
Sewer:				
Salaries	68,175	51,720	16,455	56,983
Overtime salaries	11,727	12,011	(284)	20,392
Employee benefits	47,482	33,679	13,803	42,162
Contract labor	52,000	3,628	48,372	38,324
Insurance	1,500	1,041	459	-
Supplies	6,000	1,993	4,007	6,082
Chemicals	6,000	2,695	3,305	8,248
Gas, oil and grease	3,000	1,607	1,393	3,531
Minor tools and equipment	2,000	4,143	(2,143)	2,746
Major equipment	-	-	-	11,683
Engineering/construction	70,000	122,492	(52,492)	306,278
Utilities and telephone	60,200	86,396	(26,196)	75,745
Advertising	-	-	-	70
Building and equipment repairs	9,000	7,164	1,836	13,072
Sample testing and inspections	13,300	10,347	2,953	11,964
Administrative overhead	34,713	34,055	658	56,211
Total sewer	385,097	372,971	12,126	653,491
Total expenditures	810,307	798,143	12,164	816,712
Excess (deficiency) of revenues over expenditures	(257,613)	(135,062)	122,551	(223,921)
Other financing sources - transfers in	257,613	194,095	(63,518)	256,360
Net change in fund balance	\$ -	59,033	59,033	32,439
Fund balance at beginning of year		45,099		12,660
Fund balance at end of year		\$ 104,132		45,099

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>2018 Actual</u>	<u>Variance</u>	<u>2017 Actual</u>
Revenues:				
Intergovernmental:				
State PERS relief	\$ 7,966	5,092	(2,874)	7,254
Local sources:				
Charges for services - landfill fees	<u>200,000</u>	<u>223,283</u>	<u>23,283</u>	<u>123,208</u>
Total revenues	<u>207,966</u>	<u>228,375</u>	<u>20,409</u>	<u>130,462</u>
Expenditures:				
Landfill:				
Salaries	171,411	165,045	6,366	176,045
Overtime salaries	9,460	9,888	(428)	8,837
Employee benefits	91,451	79,986	11,465	97,940
Contractual	310,000	58,330	251,670	99,912
Insurance	3,500	2,430	1,070	4,723
Advertising	800	303	497	2,072
Supplies	7,000	2,804	4,196	5,140
Gravel	31,000	40,180	(9,180)	25,500
Gas, oil and grease	112,000	86,160	25,840	97,028
Minor tools and equipment	3,000	6,061	(3,061)	7,361
Utilities and telephone	33,500	25,258	8,242	27,669
Building and equipment repairs	25,000	30,472	(5,472)	43,948
Sample testing and inspections	50,200	51,696	(1,496)	54,006
Landfill closure	10,000	-	10,000	-
Administrative overhead	85,035	55,145	29,890	64,318
Total expenditures	<u>943,357</u>	<u>613,758</u>	<u>329,599</u>	<u>714,499</u>
Excess (deficiency) of revenues over expenditures	(735,391)	(385,383)	350,008	(584,037)
Other financing sources - transfers in	<u>735,391</u>	<u>385,383</u>	<u>(350,008)</u>	<u>658,572</u>
Net change in fund balance	\$ <u>-</u>	-	<u>-</u>	74,535
Fund balance (deficit) at beginning of year		<u>(335)</u>		<u>(74,870)</u>
Fund balance (deficit) at end of year		\$ <u><u>(335)</u></u>		<u><u>(335)</u></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,	2018			2017
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
State PERS relief	\$ 2,865	1,673	(1,192)	2,244
Local sources:				
Charges for services - boat harbor fees	150,000	146,871	(3,129)	92,013
Lease and rental income	19,150	21,033	1,883	20,103
Other	250	5,695	5,445	31,028
Total revenues	<u>172,265</u>	<u>175,272</u>	<u>3,007</u>	<u>145,388</u>
Expenditures:				
Boat harbor:				
Salaries	53,320	51,241	2,079	46,276
Overtime salaries	4,409	4,595	(186)	3,427
Employee benefits	26,477	21,322	5,155	26,608
Contract labor	35,000	92,900	(57,900)	38
Memberships	150	525	(375)	150
Travel and training	-	105	(105)	-
Supplies	3,000	3,562	(562)	5,682
Gas, oil and grease	1,500	4,548	(3,048)	726
Minor tools and equipment	1,200	1,305	(105)	2,034
Utilities and telephone	37,915	42,685	(4,770)	37,796
Janitorial services	5,000	4,200	800	5,550
Building and equipment repairs	16,700	42,623	(25,923)	12,369
Inspections	1,700	923	777	362
Land cleanup	40,000	-	40,000	-
Administrative overhead	20,841	25,978	(5,137)	13,890
Total expenditures	<u>247,212</u>	<u>296,512</u>	<u>(49,300)</u>	<u>154,908</u>
Excess (deficiency) of revenues over expenditures	(74,947)	(121,240)	(46,293)	(9,520)
Other financing sources - transfers in	<u>78,947</u>	<u>121,241</u>	<u>42,294</u>	<u>-</u>
Net change in fund balance	\$ <u>4,000</u>	1	<u>(3,999)</u>	(9,520)
Fund balance at beginning of year		<u>24,430</u>		<u>33,950</u>
Fund balance at end of year		\$ <u>24,431</u>		<u>24,430</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,	2018		Variance	2017
	Budget	Actual		Actual
Revenues:				
Charges for services:				
E911 revenue	\$ 104,900	71,118	(33,782)	74,882
Local:				
Investment income	1,000	553	(447)	149
Total revenues	<u>105,900</u>	<u>71,671</u>	<u>(34,229)</u>	<u>75,031</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	105,900	71,671	(34,229)	75,031
Other financing sources - transfers out	<u>(47,307)</u>	<u>(47,307)</u>	<u>-</u>	<u>(49,026)</u>
Net change in fund balance	\$ <u>58,593</u>	24,364	<u>(34,229)</u>	26,005
Fund balance at beginning of year		<u>201,096</u>		<u>175,091</u>
Fund balance at end of year		\$ <u>225,460</u>		<u>201,096</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>2018</u>	<u>2017</u>
Revenues:		
Asset forfeiture	\$ 18,900	9,146
Investment income	45	8
Total revenues	<u>18,945</u>	<u>9,154</u>
Expenditures - public safety:		
Equipment maintenance	<u>11,615</u>	<u>1,114</u>
Excess of revenues over expenditures	7,330	8,040
Fund balance at beginning of year	<u>11,034</u>	<u>2,994</u>
Fund balance at end of year	<u>\$ 18,364</u>	<u>11,034</u>

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

Years Ended June 30,	2018			2017
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal sources	\$ 122,459	80,740	(41,719)	92,743
State of Alaska	4,000	75,138	71,138	125,178
State PERS relief	4,516	3,283	(1,233)	4,430
Local sources:				
Local assistance	1,900	80,880	78,980	33,620
Lease and rental income	33,700	30,970	(2,730)	30,368
Other	10,500	13,299	2,799	14,290
Total revenues	<u>177,075</u>	<u>284,310</u>	<u>107,235</u>	<u>300,629</u>
Expenditures:				
Senior citizen center:				
Nutrition, transportation, and support services:				
Salaries	68,997	73,298	(4,301)	68,520
Employee benefits	36,775	37,179	(404)	37,496
Contract labor	-	76,174	(76,174)	-
Insurance	4,000	4,000	-	-
Food	7,503	12,447	(4,944)	13,963
Gas, oil, and grease	1,184	4,184	(3,000)	4,184
Utilities and telephone	8,000	5,000	3,000	4,000
Building and equipment repairs	-	-	-	29,612
Maintenance	-	24,475	(24,475)	525
Total nutrition, transportation, and support services	<u>126,459</u>	<u>236,757</u>	<u>(110,298)</u>	<u>158,300</u>
Operations:				
Salaries	39,035	86,356	(47,321)	40,552
Employee benefits	22,670	21,112	1,558	24,669
Food	16,497	8,022	8,475	4,464
Advertising	-	-	-	625
Minor tools and equipment	50	-	50	-
Inspections	-	2,072	(2,072)	2,150
Insurance	6,000	2,941	3,059	8,588
Supplies	2,000	7,047	(5,047)	1,126
Gas, oil, and grease	1,316	3,524	(2,208)	2,922
Building and equipment repairs	1,800	2,887	(1,087)	2,010
Utilities and telephone	20,590	31,760	(11,170)	34,197
Major equipment	-	-	-	88,233
Administrative overhead	23,190	40,024	(16,834)	9,960
Total operations	<u>133,148</u>	<u>205,745</u>	<u>(72,597)</u>	<u>219,496</u>
Total expenditures	<u>259,607</u>	<u>442,502</u>	<u>(182,895)</u>	<u>377,796</u>
Excess (deficiency) of revenues over expenditures	(82,532)	(158,192)	(75,660)	(77,167)
Other financing sources - transfers in	<u>82,532</u>	<u>161,592</u>	<u>79,060</u>	<u>114,477</u>
Net change in fund balance	\$ <u>-</u>	<u>3,400</u>	<u>3,400</u>	<u>37,310</u>
Fund balance (deficit) at beginning of year		<u>(700)</u>		<u>(38,010)</u>
Fund balance (deficit) at end of year		\$ <u><u>2,700</u></u>		<u><u>(700)</u></u>

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

Years Ended June 30,	2018			2017
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal	\$ 15,700	10,711	(4,989)	7,587
State of Alaska	7,000	13,200	6,200	15,420
Local assistance	69,732	71,842	2,110	84,642
Total revenues	<u>92,432</u>	<u>95,753</u>	<u>3,321</u>	<u>107,649</u>
Expenditures:				
Community services:				
Equipment maintenance	-	1,500	(1,500)	-
Travel and training	3,500	3,135	365	1,000
Audio visual	3,500	4,657	(1,157)	3,794
Internet and phone	78,932	76,541	2,391	92,412
Summer reading program	2,000	4,239	(2,239)	1,465
Books	4,500	5,681	(1,181)	8,978
Total expenditures	<u>92,432</u>	<u>95,753</u>	<u>(3,321)</u>	<u>107,649</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 - Budget and Actual

<i>Years Ended June 30,</i>	<u>Budget</u>	<u>2018 Actual</u>	<u>Variance</u>	<u>2017 Actual</u>
Revenues:				
Intergovernmental:				
State of Alaska	\$ -	-	-	55,000
Local assistance	4,800	4,800	-	1,600
Total revenues	<u>4,800</u>	<u>4,800</u>	<u>-</u>	<u>56,600</u>
Expenditures:				
Public safety:				
Salaries	4,800	4,800	-	1,600
Equipment	-	-	-	55,000
Total expenditures	<u>4,800</u>	<u>4,800</u>	<u>-</u>	<u>56,600</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		<u>-</u>		<u>-</u>
Fund balance at end of year		\$ <u>-</u>		<u>-</u>

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

<i>Years Ended June 30,</i>	<u>2018</u>	<u>2017</u>
Revenues:		
Local assistance	\$ <u>45,118</u>	<u>60,616</u>
Expenditures:		
Community services:		
Salaries	39,393	30,170
Overtime salaries	2,038	2,207
Employee benefits	1,239	1,703
Training	<u>2,448</u>	<u>26,536</u>
Total expenditures	<u>45,118</u>	<u>60,616</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>2,293</u>	<u>2,293</u>
Fund balance at end of year	\$ <u><u>2,293</u></u>	<u><u>2,293</u></u>

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

Years Ended June 30,	<u>Budget</u>	<u>2018 Actual</u>	<u>Variance</u>	<u>2017 Actual</u>
Revenues:				
Intergovernmental:				
State PERS relief	\$ 6,926	5,039	(1,887)	8,017
Local sources:				
Charges for services:				
Wharfage and handling	560,000	655,951	95,951	533,686
Docking	75,000	64,176	(10,824)	52,646
Labor income	9,000	7,223	(1,777)	5,697
Equipment rental	45,000	39,865	(5,135)	38,246
Fuel flowage fees	60,000	48,183	(11,817)	59,322
Total charges for services	<u>749,000</u>	<u>815,398</u>	<u>66,398</u>	<u>689,597</u>
Investment income	5,000	1,688	(3,312)	585
Other	6,500	74,396	67,896	42,180
Total revenues	<u>767,426</u>	<u>896,521</u>	<u>129,095</u>	<u>740,379</u>
Expenditures:				
Dock:				
Salaries	117,761	119,706	(1,945)	158,511
Overtime salaries	37,126	47,379	(10,253)	50,118
Employee benefits	88,127	93,207	(5,080)	133,674
Contract labor	26,000	-	26,000	-
Insurance	32,300	31,933	367	26,950
Supplies	1,000	492	508	896
Gas, oil and grease	10,000	12,663	(2,663)	12,712
Minor tools and equipment	1,500	4,073	(2,573)	912
Leased equipment	133,200	133,196	4	133,196
Utilities and telephone	25,600	23,299	2,301	18,187
Building and equipment repairs	41,750	50,243	(8,493)	53,760
Dock repair and maintenance	5,000	276,419	(271,419)	29,779
Inspections	2,000	-	2,000	724
Advertising	-	-	-	847
Administrative overhead	57,843	86,297	(28,454)	59,824
Total expenditures	<u>579,207</u>	<u>878,907</u>	<u>(299,700)</u>	<u>680,090</u>
Excess of revenues over expenditures	<u>188,219</u>	<u>17,614</u>	<u>(170,605)</u>	<u>60,289</u>
Other financing (uses):				
Transfers out	<u>(78,947)</u>	<u>(121,240)</u>	<u>(42,293)</u>	<u>-</u>
Net change in fund balance	\$ <u>109,272</u>	(103,626)	<u>(212,898)</u>	60,289
Fund balance at beginning of year		<u>790,694</u>		<u>730,405</u>
Fund balance at end of year		\$ <u>687,068</u>		<u>790,694</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.

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.

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

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

<i>Years Ended June 30,</i>	<u>2018</u>	<u>2017</u>
Revenues:		
Local sources - other	\$ <u>7,783</u>	<u>10,192</u>
Expenditures - capital outlay - dock	<u>7,783</u>	<u>10,192</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 (Deficit)

<i>Years Ended June 30,</i>	<u>2018</u>	<u>2017</u>
Revenues - investment income	\$ <u>59</u>	<u>315</u>
Expenditures - capital outlay - contractual fees	<u>2,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(1,941)	315
Fund balance at beginning of year	<u>315</u>	<u>-</u>
Fund balance (deficit) at end of year	\$ <u><u>(1,626)</u></u>	<u><u>315</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>2018</u>	<u>2017</u>
Revenues	\$ -	-
Expenditures - capital outlay - public works	<u>64,546</u>	<u>22,299</u>
Excess (deficiency) of revenues over expenditures	(64,546)	(22,299)
Fund balance at beginning of year	<u>132,873</u>	<u>155,172</u>
Fund balance at end of year	<u><u>\$ 68,327</u></u>	<u><u>132,873</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>2018</u>	<u>2017</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - public safety:		
Capital outlay	<u>9,104</u>	<u>286,183</u>
Excess (deficiency) of revenues over expenditures	(9,104)	(286,183)
Other financing sources:		
Transfer in	<u>60,500</u>	<u>60,500</u>
Net change in fund balance	51,396	(225,683)
Fund balance at beginning of year	<u>448,074</u>	<u>673,757</u>
Fund balance at end of year	<u>\$ <u>499,470</u></u>	<u><u>448,074</u></u>

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

<i>Years Ended June 30,</i>	<u>2018</u>	<u>2017</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ <u>4,800</u>	<u>4,993</u>
Expenditures - capital outlay - equipment	<u>4,800</u>	<u>4,993</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
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

Years Ended June 30,	2018			2017
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
State of Alaska	\$ 802,305	802,105	(200)	659,060
Expenditures:				
Principal	725,000	725,000	-	695,000
Interest	421,150	421,150	-	495,646
Total expenditures	1,146,150	1,146,150	-	1,190,646
Excess (deficiency) of revenues over expenditures	(343,845)	(344,045)	(200)	(531,586)
Other financing sources (uses):				
Proceeds from bond refunding	-	-	-	8,425,000
Premium on bond refunding	-	-	-	1,383,708
Payment to bond refunding escrow agent	-	-	-	(9,734,429)
Bond refunding issuance costs	-	-	-	(74,279)
Transfer in	343,845	344,045	200	531,586
Total other financial sources (uses)	343,845	344,045	200	531,586
Net change in fund balance	\$ -	-	-	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ -		-

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>2018</u>	<u>2017</u>
Revenues:		
Local sources:		
Investment income (loss)	\$ 1,443	(149)
Other	-	788
Total revenues	<u>1,443</u>	<u>639</u>
Expenditures:		
Community services:		
Utilities	582	1,057
Administrative overhead	129	4,488
Building repairs	7	41,367
Advertising	-	400
Insurance	694	859
Postage	-	1,198
Total expenditures	<u>1,412</u>	<u>49,369</u>
Excess (deficiency) of revenues over expenditures	31	(48,730)
Fund balance at beginning of year	<u>344,550</u>	<u>393,280</u>
Fund balance at end of year	<u>\$ 344,581</u>	<u>344,550</u>

CITY OF DILLINGHAM

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Grant Title	Federal CFDA Number	Federal Grantor/ Pass Through Number	Grant Amount	Federal Share of Expenditures
U.S. Department of the Interior:				
Direct:				
Payment in Lieu of Taxes	15.226	None	\$ 450,803	450,803
U.S. Department of Health and Human Services:				
Passed through the State of Alaska, Department of Health and Social Services:				
Aging Cluster:				
Nutritional, Transportation and Support Services FY 18	93.044	607-309-1807	14,229	13,969
Nutritional, Transportation and Support Services FY 18	93.045	607-309-1807	58,904	57,827
Nutritional Services Incentive Program FY18	93.053	None	8,944	8,944
Total Aging Cluster			<u>82,077</u>	<u>80,740</u>
Passed through Alaska Native Tribal Health Consortium:				
Wastewater Project - Sewer Lagoon	66.458	AN 15-N3E	634,483	366,411
Total Department of Health and Human Services			<u>716,560</u>	<u>447,151</u>
Institute of Museum and Library Services:				
Passed through the Curung Tribal Council:				
IMLS Native American Library Services Program Basic Library Services Grant FY 18	45.311	NG-05-17-0160-17	7,000	6,126
IMLS Native American Library Services Program Basic Library Services Grant FY 17	45.311	NG-05-16-0174-16	7,000	1,450
Total Institute of Museum and Library Services			<u>14,000</u>	<u>7,576</u>
Department of Museum and Library Services:				
Passed through the State of Alaska, Department of Education and Early Development:				
Alaska State Library - Continuing Education	45.UNKNOWN		3,135	3,135
Total federal financial assistance			<u>\$ 1,184,498</u>	<u>908,665</u>

See accompanying notes to the Schedule.

CITY OF DILLINGHAM, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Dillingham under programs of the federal government for the year ended June 30, 2018. 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, it is not intended to and does not present the basic financial statements of City of Dillingham.

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 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, 2018

	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>State Share of Expenditures</u>
State of Alaska Department of Administration			
Direct Programs:			
State PERS Relief	none	\$ <u>90,715</u>	<u>90,715</u>
State of Alaska Department of Education and Early Development:			
Direct Programs:			
* Debt Service - School Bonds	none	802,105	802,105
Public Library Assistance	none	7,000	7,000
Alaska OWL Program	none	6,200	6,200
Total Department of Education and Early Development		<u>815,305</u>	<u>815,305</u>
State of Alaska Department of Commerce, Community and Economic Development:			
Direct Programs:			
State Revenue Sharing	none	133,547	133,547
E911 Critical System Upgrade	14-DC-046	200,000	4,800
Total Department of Commerce, Community and Economic Development		<u>333,547</u>	<u>138,347</u>
State of Alaska Department of Revenue:			
Direct Programs:			
Fisheries Business Tax	none	18,650	18,650
* Raw Fish Tax	none	398,350	398,350
Electric and Telephone Co-op Tax	none	69,625	69,625
Liquor Licenses	none	4,000	4,000
Motor Vehicle Tax	none	34,404	34,404
Total Department of Revenue		<u>525,029</u>	<u>525,029</u>
State of Alaska Department of Environmental Conservation:			
Direct Programs:			
* Wastewater System Improvements and Upgrades	MMG# 28307	3,000,000	992,701
* Wastewater System Improvements	MMG# 28308	2,140,119	607,032
Total Department of Environmental Conservation		<u>5,140,119</u>	<u>1,599,733</u>
State of Alaska Department of Health and Social Services:			
Direct Programs:			
Nutrition, Transportation and Support Services	607-309-1607	50,663	50,663
Alaska Mental Health Trust Authority:			
Direct:			
Repairs at the Dillingham Senior Center AH16	GIFTS ID: 7172	25,000	24,475
Total State Financial Assistance		<u>\$ 6,980,378</u>	<u>3,244,267</u>

See accompanying notes to the Schedule.

CITY OF DILLINGHAM, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2018

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, 2018. 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.

Note 5. Component Unit

The City of Dillingham, Alaska basic financial statements include \$7,767,253 of State of Alaska funds expended for the Dillingham City School District, a component unit of the City of Dillingham, Alaska. These monies are excluded from this Schedule. These monies were subjected to State of Alaska single audit procedures and separate reports on compliance and internal control dated November 1, 2018 were issued for the Dillingham City School District.

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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 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, 2018, 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 October 25, 2019.

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.

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.

Members of the City Council
City of Dillingham, Alaska

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 City of Dillingham, Alaska's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dillingham, Alaska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
October 25, 2019

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 City of Dillingham, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Dillingham, Alaska's major federal programs for the year ended June 30, 2018. 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 \$1,954,691 in federal awards, which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2018. 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 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 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 City of Dillingham, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA 15.226 Payment in Lieu of Taxes

As described in the accompanying federal schedule of findings and questioned costs, the City of Dillingham, Alaska did not comply with requirements regarding CFDA 15.226, Payment in Lieu of Taxes, as described in 2018-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City of Dillingham, Alaska to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 15.226 Payment in Lieu of Taxes

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Payment in Lieu of Tax Program for the year ended June 30, 2018.

Other Matters

City of Dillingham, Alaska's response to the noncompliance finding identified in our audit is described in the accompanying federal schedule of findings and questioned costs and the corrective action plan. City of Dillingham, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Honorable Mayor and City Council
City of Dillingham, Alaska

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance as described in the accompanying federal schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

City of Dillingham, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying federal schedule of findings and questioned costs and the corrective action plan. City of Dillingham, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Altman, Rogers & Co.

Anchorage, Alaska
October 25, 2019

CITY OF DILLINGHAM

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report?

Yes X No

Internal control over financial reporting:

Material weakness(es) identified?

Yes X No

Significant deficiency(ies) identified?

Yes X None Reported

Noncompliance material to financial statements noted?

Yes X No

Federal Awards

Internal control over major federal programs (2CFR 200.516 (a)(1)):

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

Yes X None Reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))?

Yes X No

Type of auditor's report issued on compliance for major program:

Qualified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)(3) or (4)?

Yes X No

Identification of major programs:

CFDA Number(s) 15.226

Name of Federal Program or Cluster 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 X No

CITY OF DILLINGHAM

Federal Schedule of Findings and Questioned Costs, Continued

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

Finding 2018-001: Late Reporting and Noncompliance with Reporting Requirements:

Federal Agency: U.S. Department of the Interior
Federal Program: Payments in Lieu of Taxes, CFDA 15.226
Grant Number: None
Award Period: 2018
Type of Finding: Material Weakness/Material Noncompliance
Opinion: Qualified

Condition: The City did not adhere to the Uniform Guidance requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report, or nine months after the end of the audit period (i.e. the FAC Report was not submitted timely.)

Criteria: The Uniform Guidance requires that the reporting package be submitted within the earlier of 9 months after year end or 30 days after the report issuance in accordance with the provisions of 2 CFR part 200, subpart F, section 200.512.

Context: The FAC report was not submitted within the required time period.

Cause: Due to staff turnover the City was unable to have their annual audit completed with the required timeframe, and subsequently were also late in submission of the FAC Report.

Effect: The City is not in compliance with Uniform Guidance requirements.

Questioned Costs: None.

Recommendation: The City needs to work on getting financial information more timely (i.e. submit the reporting package with the guidelines of Uniform Guidance).

Management Response: Management concurs with this finding. See Corrective Action Plan.

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, 2018. 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 \$7,767,253 in state awards, which is not included in the schedule of state financial assistance during the year ended June 30, 2018. 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.

Basis for Qualified Opinion on Debt Service—School Bonds; Raw Fish Tax; Wastewater System Improvements and Upgrades; and Wastewater System Improvements

As described in the accompanying State schedule of findings and questioned costs, the City of Dillingham, Alaska did not comply with requirements regarding Debt Service—School Bonds; Raw Fish Tax; Wastewater System Improvements and Upgrades; and Wastewater System Improvements as described in finding number 2018-002 for reporting. Compliance with such requirements is necessary, in our opinion, for the City of Dillingham, Alaska to comply with the requirements applicable to that program.

Qualified Opinion on Debt Service—School Bonds; Raw Fish Tax; Wastewater System Improvements and Upgrades; and Wastewater System Improvements

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Debt Service—School Bonds; Raw Fish Tax; Wastewater System Improvements and Upgrades; and Wastewater System Improvements Programs for the year ended June 30, 2018.

Other Matters

City of Dillingham, Alaska's response to the noncompliance finding identified in our audit is described in the accompanying State schedule of findings and questioned costs and the corrective action plan. City of Dillingham, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Honorable Mayor and City Council
City of Dillingham, Alaska

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance as described in the accompanying State schedule of findings and questioned costs as item 2018-002 that we consider to be a material weakness.

City of Dillingham, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying State schedule of findings and questioned costs and the corrective action plan. City of Dillingham, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Anchorage, Alaska
October 25, 2019

CITY OF DILLINGHAM, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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? X Yes No

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

Dollar threshold used to distinguish a state major program: \$ 150,000

Section II – Financial Statement Findings

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

CITY OF DILLINGHAM, ALASKA

State Schedule of Findings and Questioned Costs, Continued

Section III – State Award Findings and Questioned Costs

Finding 2018-002: **Late Reporting and Noncompliance with Reporting Requirement:**

State Departments: **State of Alaska Department of Education and Early Development
State of Alaska Department of Revenue
State of Alaska Department of Environmental Conservation**

State Programs: **Debt Service–School Bonds
Raw Fish Tax
Wastewater System Improvements and Upgrades
Wastewater System Improvements**

Grant Number: **None; None; MMG# 28307, MMG# 28308**
Award Period: **2018**
Type of Finding: **Material Weakness/Material Noncompliance over Reporting**

Condition: Due to staff turnover, the City was unable to have their annual audit completed within the required timeline.

Criteria: 2 AAC 45.010(b) states an entity that expends a cumulative total of \$750,000 or more shall submit the audit report for the audit period by the earlier of 30 days after the entity receives its audit report for the audit period; or nine months after the end of the audit period.

Context: The single audit report was not submitted within the required time period.

Cause: Due to staff turnover the City did not have controls in place to identify the requirements of the State single audit threshold.

Effect: The City is not in compliance with 2 AAC 45.010(b)(1).

Questioned Costs: None noted.

Recommendation: The City needs to adjust the accounting records timely, arrange for an annual audit and submit the reporting package within the guidelines as outlined in the State of Alaska Single Audit Regulations.

Management Response: Management concurs with this finding. See Corrective Action Plan.



Corrective Action Plan

June 30, 2018

Federal Award Finding

Finding 2018-001

Late Reporting and Noncompliance with Reporting Requirements

Name of Contact Person: Anita Fuller, Finance Director

Corrective Action Plan: The Finance Department will continue hiring a CPA firm to assist with audit preparations until the department can ensure that audit preparations can be done accurately and timely.

Proposed Completion Date: November 30, 2019.

State Award Finding

Finding 2018-002

Late Reporting and Noncompliance with Reporting Requirements

Name of Contact Person: Anita Fuller, Finance Director

Corrective Action Plan: The Finance Department will continue hiring a CPA firm to assist with audit preparations until the department can ensure that audit preparations can be done accurately and timely.

Proposed Completion Date: November 30, 2019.