

CITY OF DILLINGHAM, ALASKA

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

Year Ended June 30, 2014

CITY OF DILLINGHAM, ALASKA

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

Year Ended June 30, 2014

CITY OF DILLINGHAM, ALASKA

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-3
Management Discussion and Analysis		4-11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A-1	12
Statement of Activities	B-1	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C-1	14
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	C-2	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D-1	16
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	D-2	17
Statement of Original and Final Budget to Actual Amounts – General Fund	E-1	18
Notes to Basic Financial Statements		19-36
Additional Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual General Fund:		
Balance Sheet	F-1	37-48
Other Governmental Funds:		
Combining Balance Sheet	G-1	49-50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	G-2	51-52
Special Revenue Funds:		
Water and Sewer	H-1	53
Landfill	H-2	54
Dock	H-3	55
Boat Harbor	H-4	56

CITY OF DILLINGHAM

Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
Additional Supplementary Information, continued:		
Enhanced 911 Service	H-5	57
Asset Forfeiture	H-6	58
Senior Citizen Center	H-7	59
Homeland Security	H-8	60
Library	H-9	61
Public Safety	H-10	62
Local Support	H-11	63
Debt Service Fund –		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	I-1	64
Capital Project Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit):		
Dock and Harbor	J-1	65
Water and Sewer	J-2	66
School Bonds	J-3	67
Equipment Replacement	J-4	68
Ambulance	J-5	69
Capital Project Planning	J-6	70
Library Roof	J-7	71
Water System Improvements	J-8	72
Public Safety	J-9	73
Local Support	J-10	74
Mary Carlson Estate Permanent Fund –		
Schedule of Revenues, Expenditures and Changes in Fund Balance	K-1	75
Schedule of Expenditures of Federal Awards	L-1	76
Schedule of State Financial Assistance	L-2	77

CITY OF DILLINGHAM, ALASKA

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
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 <i>Government Auditing Standards</i>		78-79
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance as Required by <i>OMB Circular A-133</i>		80-81
Federal Schedule of Findings and Questioned Costs		82-84
Report on Compliance for Each Major State Program and Report on Internal Control over Compliance as Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>		85-86
State Schedule of Findings and Questioned Costs		87-88

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Honorable Mayor and City Council
City of Dillingham

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, 2014 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Honorable Mayor and City Council
City of Dillingham

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

City of Dillingham, Alaska's basic financial statements for the year ended June 30, 2013, which are not presented with the accompanying financial statements and were audited by other auditors whose report thereon dated March 19, 2014 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. The report of the other auditors dated March 19, 2014, stated that the combining and individual fund financial statements and schedules for the year ended June 30, 2013 were subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basis financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2015 on our consideration of the City of Dillingham, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dillingham, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
February 9, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis
Year Ended June 30, 2014

This section of the City of Dillingham, Alaska's annual financial report presents the City management's discussion and analysis of the City's financial activities for the fiscal year ended June 30, 2014 with comparable information presented for the year ended June 30, 2013. This discussion and analysis should be read in conjunction with the City's financial statements.

Financial Highlights for 2014

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

Financial Highlights for 2013

- In total, net position exceeded its liabilities at June 30, 2013 by \$42,697,227. Of this amount, \$6,170,165 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$1,614,467 in 2013.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,668,041, which is an increase of \$778,789 over the prior year. \$4,144,832 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2013, unassigned fund balance for the General Fund was \$4,383,194 or 65% of total General Fund expenditures.

Overview of the Financial Statements

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

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

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

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

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

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

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

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

Notes to the Financial Statements

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

Other Supplementary Information

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

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dillingham, Alaska, assets exceeded liabilities by \$42,443,083 at the close of FY2014, the most recent fiscal year.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

By far the largest portion of the City's net position (84%) reflects its net investments in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>2014</u>	<u>2013</u>
	Governmental	Governmental
	Activities	Activities
Current and other assets	\$ 7,242,669	7,154,576
Long-term and capital assets	48,390,637	49,188,665
Total assets	<u>55,633,306</u>	<u>56,343,241</u>
Current liabilities	539,436	379,783
Long-term liabilities	12,650,787	13,266,231
Total liabilities	<u>13,190,223</u>	<u>13,646,014</u>
Net position		
Net investment in capital assets	35,777,718	36,120,577
Restricted for Mary Carlson		
Estate Permanent Fund	388,161	389,699
Restricted for E-911 surcharge	79,606	7,751
Restricted for asset forfeitures	6,072	9,035
Unrestricted	<u>6,191,526</u>	<u>6,170,165</u>
Total net position	<u>\$ 42,443,083</u>	<u>42,697,227</u>

The majority of net position is restricted for capital assets, net of debt (84% in 2014 and 85% in 2013). A small portion of the City's net position (1% in 2014 and 1% in 2013), represent resources that are subject to external restrictions on how they may be used. Such restrictions are for the restricted assets for Mary Carlson Estate Permanent Fund, Enhanced 911, and Asset Forfeitures. The remaining balance of unrestricted net position of \$6,191,526 in 2014 and \$6,170,165 in 2013 may be used to meet the government's ongoing obligation to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for government as a whole, and for its separate governmental activities.

The governmental activities net position decreased by \$254,144 in 2014 and increased by \$1,614,467 in 2013.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

Statement of Activities

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

	Change in Net Position 2014	Change in Net Position 2013
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,589,568	2,301,074
Operating grants and contributions	419,526	1,368,527
Capital grants and contributions	3,591,963	1,877,766
General revenues:		
Taxes:		
Sales taxes	3,602,230	4,012,740
Real and personal property taxes	2,052,692	2,125,259
Gaming taxes	49,509	79,532
Payment in lieu of taxes	426,339	432,893
Grants and entitlements not restricted to a Specific purpose	948,418	771,982
Investment income	48,814	21,295
Other	502,125	99,282
Total revenues	<u>\$ 7,630,127</u>	<u>7,542,983</u>
Expenses:		
General government	4,199,300	1,718,123
Public safety	2,617,538	2,505,506
Public works	1,526,389	1,196,705
Community services	589,607	231,125
Water and sewer	685,838	1,152,581
Landfill	649,301	760,835
Dock	1,267,488	883,166
Boat Harbor	249,564	279,056
Senior citizen center	461,006	476,223
Education	1,663,207	1,685,257
Interest on long-term debt	576,090	587,306
Total expenses	<u>14,485,328</u>	<u>11,475,883</u>
Increase (decrease) in net position	(254,144)	1,614,467
Net position at beginning of year	<u>42,697,227</u>	<u>41,082,760</u>
Net position at end of year	<u>\$ 42,443,083</u>	<u>42,697,227</u>

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

Governmental Activities

Governmental activities in 2014 decreased the City's net position by \$254,144. This decrease represents less than 1 % of government net position.

A detail of expenses for governmental activities is as follows:

Function:	2014		2013	
	Expense	Percentage	Expense	Percentage
General government	\$ 4,199,300	29%	1,718,123	15%
Public safety	2,617,538	18%	2,505,506	22%
Public works	1,526,389	11%	1,196,705	10%
Community services	589,607	4%	231,125	2%
Water and sewer	685,838	5%	1,152,581	10%
Landfill	649,301	4%	760,835	7%
Dock	1,267,488	9%	883,166	8%
Boat Harbor	249,564	2%	279,056	2%
Senior citizen center	461,006	3%	476,223	4%
Education	1,663,207	11%	1,685,257	15%
Interest on long-term debt	576,090	4%	587,306	5%
Total	\$ 14,485,328	100%	11,475,883	100%

The main reason for the increase in General government expenses was adjustments of approximately 2.6 million in discontinued capital projects.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At June 30, 2014 the City's governmental funds reported combined ending fund balances of \$6,544,065, a decrease of \$123,976 from the prior year. Of this amount \$2,272,528 is non-spendable, restricted, committed, or assigned for specific purposes. \$4,271,537 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2014 and 2013 the unassigned fund balance of the General Fund was \$4,427,006 and \$4,383,194, respectively, which is 98% and 99% of the total General Fund balance. As a measure of the General Fund's liquidity, both unassigned fund balance and total fund balance may be compared to total fund expenditures. Unassigned fund balance represents 64% of total General Fund expenditures at June 30, 2014 and 65% as of 2013.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

The fund balance of the City's General Fund increased by \$60,247 in 2014 compared to an increase of \$1,072,535 in 2013.

General Fund budgetary Highlights

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

- Increase in federal sources of \$3,471;
- Decrease in State of Alaska funding of \$19,238;
- Increase in tax revenues of \$573,139;
- Decrease in licenses and permits of \$900;
- Increase in fines and forfeitures of \$15,000;
- Increase in lease and rental income of \$2,000;
- Increase in other revenues of \$59,556;
- Overall expenditure budget increased by \$156,078, primarily from the general government and public safety.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$48,254,062 (net of accumulated depreciation), a decrease of \$774,719 over last year. This investment in capital assets includes land, buildings, machinery, and equipment, and Improvements other than buildings.

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

- Improvements of \$87,232.
- Construction of \$2,698,424.
- Write off of discontinued projects of (\$2,659,445).
- Machinery and Equipment additions of \$930,994.

	<u>2014</u>	<u>2013</u>
	Governmental Activities (Net of Accumulated Depreciation)	Governmental Activities (Net of Accumulated Depreciation)
Land	\$ 4,862,446	4,862,446
Construction in progress	6,835,140	18,652,378
Buildings	16,891,137	12,037,706
Machinery and equipment	3,805,109	3,262,692
Improvement other than buildings	<u>15,860,230</u>	<u>10,213,559</u>
Total capital assets	<u>\$ 48,254,062</u>	<u>49,028,781</u>

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

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

Long-Term Debt – At the end of the current fiscal year, the City of Dillingham, Alaska had total bonded debt outstanding of \$12,146,981. This entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, loans, compensated absences and landfill closure and post-closure costs.

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

	Governmental Activities	
	2014	2013
General obligation bonds, including premium	\$ 12,146,981	12,764,265
Public works – grader	148,991	221,820
Public works – vehicle	30,888	-
Animal control vehicle lease	9,844	14,371
Public safety vehicle lease (2012)	13,554	19,844
Public safety vehicle lease (2013)	49,323	-
Accrued leave (net)	172,206	166,931
Estimated landfill closure costs	79,000	79,000
Total long-term debt	<u>\$ 12,650,787</u>	<u>13,266,231</u>

The City of Dillingham, Alaska's total debt decreased by \$615,444 during the current fiscal year. This decrease was due to debt payments during the year.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate hovers around 7.8% for the State of Alaska.
- Due to budget constraints, it is anticipated that State and Federal funding will decrease.
- These factors were considered in preparing the FY15 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF DILLINGHAM, ALASKA

Statement of Net Position

June 30, 2014

	Primary Government	Component Unit
<u>Assets</u>	Governmental Activities	Dillingham City School District
Current:		
Cash and investments	\$ 5,012,619	1,257,963
Receivables, net	2,125,789	950,999
Restricted cash and investments	136,575	-
Inventory	-	33,078
Prepaid items	104,261	-
Noncurrent:		
Land and construction in progress	11,697,586	-
Other capital assets, net of accumulated depreciation	36,556,476	457,505
Total assets	55,633,306	2,699,545
 <u>Liabilities</u>		
Current:		
Accounts payable	353,448	491,170
Accrued payroll and related liabilities	123,473	37,630
Due to student groups	-	68,530
Unearned revenue	62,515	159,480
Total current	539,436	756,810
Non-current:		
Due within one year:		
Accrued leave	172,206	-
Bonds	647,284	-
Capital leases	99,596	-
Landfill closure costs	-	-
Due in more than one year:		
Bonds	11,499,697	-
Capital leases	153,004	-
Landfill closure costs	79,000	-
Total non-current	12,650,787	-
Total liabilities	13,190,223	756,810
 <u>Net Position</u>		
Net investment in capital assets	35,777,718	457,505
Restricted:		
Mary Carlson Estate expendable	388,161	-
Enhanced 911	79,606	-
Asset forfeitures	6,072	-
Unrestricted	6,191,526	1,485,230
Total net position	\$ 42,443,083	1,942,735
Total liabilities and net position	55,633,306	2,699,545

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

CITY OF DILLINGHAM, ALASKA

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Dillingham City School District
Primary government:						
Governmental:						
General government	\$ 4,199,300	1,149,416	-	-	(3,049,884)	-
Public safety	2,617,538	124,929	115,868	18,744	(2,357,997)	-
Public works	1,526,389	-	-	-	(1,526,389)	-
Community services	589,607	-	65,639	372,491	(151,477)	-
Water and sewer	685,838	409,980	18,071	1,726,825	1,469,038	-
Landfill	649,301	131,957	24,672	570,326	77,654	-
Dock	1,267,488	602,838	24,216	80,528	(559,906)	-
Boat harbor	249,564	140,361	14,484	-	(94,719)	-
Senior citizen center	461,006	30,087	156,576	-	(274,343)	-
Education	1,663,207	-	-	823,049	(840,158)	-
Unallocated interest	576,090	-	-	-	(576,090)	-
Total governmental activities	\$ <u>14,485,328</u>	<u>2,589,568</u>	<u>419,526</u>	<u>3,591,963</u>	<u>(7,884,271)</u>	<u>-</u>
Component Unit - school district - Education	\$ <u>14,194,829</u>	<u>55,346</u>	<u>4,516,563</u>	<u>13,707</u>	-	(9,609,213)
General revenues:						
Taxes:						
Sales taxes					3,602,230	-
Real and personal property taxes					2,052,692	-
Gaming taxes					49,509	-
Payment in lieu of taxes					426,339	-
Contributions from primary government					-	1,300,000
Grants and entitlements not restricted to a specific purpose					948,418	6,924,359
Investment income					48,814	180
E-Rate					-	430,399
Other					502,125	17,563
Total general revenues					<u>7,630,127</u>	<u>8,672,501</u>
Change in net position					(254,144)	(936,712)
Net position at beginning of year					<u>42,697,227</u>	<u>2,879,447</u>
Net position at end of year					\$ <u>42,443,083</u>	<u>1,942,735</u>

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

CITY OF DILLINGHAM, ALASKA

Balance Sheet - Governmental Funds

June 30, 2014

<u>Assets</u>	General <u>Fund</u>	<u>Capital Project Funds</u>		Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
		Landfill <u>Closure</u>	Wastewater Treatment <u>Plant</u>		
Cash and investment	\$ 4,619,775	2,927	-	389,917	5,012,619
Prepaid items	78,261	-	-	26,000	104,261
Receivables, net of allowance of uncollectible accounts					
Sales taxes	562,798	-	-	-	562,798
Real and personal property taxes	291,020	-	-	-	291,020
Accounts	148,503	-	-	398,006	546,509
Grants and shared revenues	9,194	470,930	56,100	189,238	725,462
Due from other funds	681,603	-	-	1,333,062	2,014,665
Restricted cash and investments	-	-	-	136,575	136,575
Total assets	\$ 6,391,154	473,857	56,100	2,472,798	9,393,909
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 174,549	108,343	-	70,556	353,448
Accrued payroll and payroll liabilities	100,041	-	-	23,432	123,473
Due to other funds	1,333,062	193,470	56,100	432,033	2,014,665
Unearned revenue	47,345	-	-	15,170	62,515
Total liabilities	1,654,997	301,813	56,100	541,191	2,554,101
Deferred inflows of resources - delinquent property taxes and dock fees	230,890	-	-	64,853	295,743
Total liabilities and deferred inflows of resources	1,885,887	301,813	56,100	606,044	2,849,844
Fund Balances:					
Nonspendable	78,261	-	-	26,000	104,261
Restricted	-	-	-	550,602	550,602
Committed	-	172,044	-	789,313	961,357
Assigned	-	-	-	656,308	656,308
Unassigned	4,427,006	-	-	(155,469)	4,271,537
Total fund balances	4,505,267	172,044	-	1,866,754	6,544,065
Total liabilities, deferred inflows of resources and fund balances	\$ 6,391,154	473,857	56,100	2,472,798	9,393,909

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

CITY OF DILLINGHAM, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

Year Ended June 30, 2014

Total fund balances for governmental funds		\$	6,544,065
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	6,835,140		
Buildings	23,578,510		
Improvements other than buildings	26,852,860		
Machinery and equipment	7,639,925		
Total capital assets	69,768,881		
Less accumulated depreciation	(21,514,819)		
Total capital assets, net of accumulated depreciation			<u>48,254,062</u>
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. This is the amount of delinquent real property taxes and dock receivable			
			<u>295,743</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:			
General obligation bonds	(11,905,000)		
Unamortized bond premium	(241,981)		
Capital leases	(252,600)		
Accrued leave	(172,206)		
Landfill closure costs	(79,000)		
Total long-term liabilities			<u>(12,650,787)</u>
Total net position of governmental activities		\$	<u>42,443,083</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, 2014

	General Fund	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		Landfill Closure	Wastewater Treatment Plant		
Revenues:					
Intergovernmental:					
Federal sources	\$ 426,585	-	-	236,995	663,580
State of Alaska	944,820	570,326	1,652,157	1,281,797	4,449,100
Local sources:					
Taxes	5,743,529	-	-	-	5,743,529
Local assistance	-	-	-	270,214	270,214
Charges for services	1,138,367	-	-	1,283,497	2,421,864
Licenses and permits	17,534	-	-	-	17,534
Fines and forfeitures	11,880	-	-	-	11,880
Lease and rental income	30,615	-	-	42,822	73,437
Investment income	37,645	-	-	11,169	48,814
Other	112,447	-	-	80,303	192,750
Total revenues	<u>8,463,422</u>	<u>570,326</u>	<u>1,652,157</u>	<u>3,206,797</u>	<u>13,892,702</u>
Expenditures:					
Current:					
General government	1,683,692	-	-	-	1,683,692
Public safety	2,519,260	-	-	122,977	2,642,237
Public works	1,237,419	-	-	-	1,237,419
Community services	124,943	-	-	70,820	195,763
Water and sewer	-	-	-	469,987	469,987
Landfill	-	-	-	440,396	440,396
Dock	-	-	-	890,760	890,760
Boat harbor	-	-	-	199,432	199,432
Senior citizen center	-	-	-	430,122	430,122
Education - contribution to School District	1,300,000	-	-	-	1,300,000
Debt service:					
Principal	-	-	-	600,000	600,000
Interest	-	-	-	576,090	576,090
Capital outlay	-	595,413	1,652,157	1,420,921	3,668,491
Total expenditures	<u>6,865,314</u>	<u>595,413</u>	<u>1,652,157</u>	<u>5,221,505</u>	<u>14,334,389</u>
Excess (deficiency) of revenues over expenditures	<u>1,598,108</u>	<u>(25,087)</u>	<u>-</u>	<u>(2,014,708)</u>	<u>(441,687)</u>
Other financing sources (uses):					
Proceeds from sale of asset	1,500	-	-	-	1,500
Insurance proceeds	-	-	-	316,211	316,211
Transfers in	-	25,087	-	1,946,872	1,971,959
Transfers out	<u>(1,539,361)</u>	<u>-</u>	<u>-</u>	<u>(432,598)</u>	<u>(1,971,959)</u>
Net other financing sources (uses)	<u>(1,537,861)</u>	<u>25,087</u>	<u>-</u>	<u>1,830,485</u>	<u>317,711</u>
Net change in fund balances	60,247	-	-	(184,223)	(123,976)
Fund balances at beginning of year	<u>4,445,020</u>	<u>172,044</u>	<u>-</u>	<u>2,050,977</u>	<u>6,668,041</u>
Fund balances at end of year	<u>\$ 4,505,267</u>	<u>172,044</u>	<u>-</u>	<u>1,866,754</u>	<u>6,544,065</u>

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

CITY OF DILLINGHAM, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

June 30, 2014

Net change in fund balances - total governmental funds		\$	(123,976)
The change in net position reported for governmental activities in the Statement of Net Activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay		1,057,205	
Depreciation expense		<u>(1,823,587)</u>	(766,382)
Governmental funds only report revenue from the sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. The net effect of transaction involving capital assets is to decrease net position.			
Cost of assets sold		(27,783)	
Accumulated depreciation of assets sold.		<u>19,446</u>	(8,337)
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.			
			29,107
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.			
			-
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	\$	600,000	
Acquisition of capital leases		(103,435)	
Payments on capital leases		106,870	
Amortized bond premium		<u>17,284</u>	620,719
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 the amount of the increase in accrued leave.			
			<u>(5,275)</u>
Change in net position of governmental activities		\$	<u><u>(254,144)</u></u>

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

CITY OF DILLINGHAM, ALASKA

General Fund

Statement of Original and Final Budget to Actual Amounts

June 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Revenues:				
Intergovernmental:				
Federal sources	\$ 419,516	422,987	426,585	3,598
State of Alaska	873,133	853,895	944,820	90,925
Local sources:				
Taxes	5,166,000	5,739,139	5,743,529	4,390
Charges for services	1,087,437	1,089,387	1,138,367	48,980
Licenses and permits	22,000	20,100	17,534	(2,566)
Fines and forfeitures	-	15,000	11,880	(3,120)
Lease and rental income	36,071	38,071	30,615	(7,456)
Investment income	35,000	35,000	37,645	2,645
Other	64,500	124,056	112,447	(11,609)
Total revenues	<u>7,703,657</u>	<u>8,337,635</u>	<u>8,463,422</u>	<u>125,787</u>
Expenditures:				
Current:				
General government	1,643,568	1,737,503	1,683,692	53,811
Public safety	2,617,853	2,704,605	2,519,260	185,345
Public works	1,368,204	1,342,831	1,237,419	105,412
Community services	136,158	136,922	124,943	11,979
Education	1,300,000	1,300,000	1,300,000	-
Total expenditures	<u>7,065,783</u>	<u>7,221,861</u>	<u>6,865,314</u>	<u>356,547</u>
Excess (deficiency) of revenues over expenditures	<u>637,874</u>	<u>1,115,774</u>	<u>1,598,108</u>	<u>482,334</u>
Other financing sources(uses):				
Proceeds from the sale of assets	-	-	1,500	1,500
Transfers in	400,920	-	-	-
Transfers out	<u>(979,087)</u>	<u>(1,393,381)</u>	<u>(1,539,361)</u>	<u>(145,980)</u>
Total net other financing sources(uses)	<u>(578,167)</u>	<u>(1,393,381)</u>	<u>(1,537,861)</u>	<u>(144,480)</u>
Net change in fund balance	\$ <u>59,707</u>	<u>(277,607)</u>	60,247	<u>337,854</u>
Fund balances at beginning of year			<u>4,445,020</u>	
Fund balances at end of year			\$ <u><u>4,505,267</u></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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not presently have any business-type activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods or services provided by a given function or department and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or department. Other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only to the extent they have matured.

Property taxes, sales taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major governmental funds:

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

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

The *Wastewater Treatment Plant Capital Project Fund* account for various improvement projects at the City's wastewater treatment facility.

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

D. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

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

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

Buildings and improvements	15-75 years
Infrastructure	10-50 years
Machinery and equipment	5-40 years

E. Long-Term Debt

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

F. Property Taxes

Property taxes are levied as of January 1. The tax levy is payable in two installments due on or before the first business day of November, and the second payment on or before 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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

H. Grants and Other Intergovernmental Revenues

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

I. Interfund Transactions

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

J. Compensated Absences

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

K. Fund Balances

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

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

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

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

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

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

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

L. Net Position

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

M. Encumbrances

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

N. Unearned Grant Revenue

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

O. Pension Plan

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

P. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

III. CASH AND INVESTMENTS

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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, 2014.

Bank deposits	\$345,498	Cash and investments	\$5,012,619
Investments	<u>4,803,696</u>	Restricted cash and investments	<u>136,575</u>
	<u>\$5,149,194</u>		<u>\$5,149,194</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
Alaska Municipal League Investment Pool	\$ 301,900	301,900	-
Certificates of Deposit	2,775,664	1,054,550	1,721,114
Alaska Municipal Bonds	504,552	247,651	256,901
Federal National Mortgage Association – U.S. Agency Security	250,003	-	250,003
Money Market	233,572	233,572	-
Fixed Income Securities	738,005	-	738,005
Total	<u>\$ 4,803,696</u>	<u>1,837,673</u>	<u>2,966,023</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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.

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

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 follows:

Governmental Activities	Balance July 1, 2013	Additions	Deletions	Adjustments	Balance June 30, 2014
Capital assets not being depreciated:					
Land and land improvements	\$ 4,862,446	-	-	-	4,862,446
Construction in progress	18,652,378	2,698,424	11,856,217	(2,659,445)	6,835,140
Total assets not being depreciated	<u>23,514,824</u>	<u>2,698,424</u>	<u>11,856,217</u>	<u>(2,659,445)</u>	<u>11,697,586</u>
Capital assets being depreciated:					
Buildings	18,076,161	5,502,349	-	-	23,578,510
Improvements other than buildings	20,411,760	6,441,100	-	-	26,852,860
Machinery and equipment	6,835,069	930,994	126,138	-	7,639,925
Total capital assets being depreciated	<u>45,322,990</u>	<u>12,874,443</u>	<u>126,138</u>	<u>-</u>	<u>58,071,295</u>
Less accumulated depreciated for:					
Buildings	6,038,455	648,918	-	-	6,687,373
Improvements other than buildings	10,198,201	794,429	-	-	10,992,630
Machinery and equipment	3,572,377	380,240	117,801	-	3,834,816
Total accumulated depreciated	<u>19,809,033</u>	<u>1,823,587</u>	<u>117,801</u>	<u>-</u>	<u>21,514,819</u>
Total capital assets being depreciated, net	<u>25,513,957</u>	<u>11,050,856</u>	<u>8,337</u>	<u>-</u>	<u>36,556,476</u>
Governmental activity capital assets, net	<u>\$ 49,028,781</u>	<u>13,749,280</u>	<u>11,864,554</u>	<u>(2,659,445)</u>	<u>48,254,062</u>

The above adjustment column reflects projects which were discontinued or an accumulation of projects which did not qualify for capitalization.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Depreciation expense was charged to the functions as follows:

General government	\$ 63,214
Public safety	98,375
Public works	116,634
Community services	7,730
Water and sewer	216,977
Boat harbor	103,184
Dock	298,468
Senior citizen center	14,737
Landfill	364,293
Education	<u>539,975</u>
Total depreciation expense	\$ <u>1,823,587</u>

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A schedule of interfund balances and transfers for the year ended June 30, 2014, follows:

Due From Other Funds

Due to the General Fund from:

Landfill Closure Capital Project Fund for advances to cover capital costs	\$ 193,470
Wastewater Treatment Plant Capital Project Fund for advances to cover capital costs	56,100
Other governmental funds for advances to cover operating and capital costs	432,033

Due to Other Funds

Due to other governmental funds from:

General fund to cover operating costs	<u>1,333,062</u>
Total due to/from other funds	\$ <u>2,014,665</u>

Transfers

From General Fund to:

Other governmental funds for debt service	353,041
Other governmental funds to cover operating costs of special revenue funds	129,378
Other governmental funds for capital projects	1,031,855
Landfill Closure Capital Project fund for capital outlay	25,087

From Dock Special Revenue Fund to other governmental fund to cover deficit

432,563

From Ambulance reserve fund to FEMA fire truck fund

35

Total transfers \$ 1,971,959

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VI. LONG-TERM DEBT

In 2008, the City issued \$15,105,000 in 2008 Series One General Obligation School Bonds for the purpose of major renovation of school facilities. The bonds were issued at a premium of \$345,686.

The following is a summary of long-term debt transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	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	\$ 12,505,000	-	600,000	11,905,000	630,000
Bond premium	259,265	-	17,284	241,981	17,284
Public works - grader lease	221,820	-	72,829	148,991	70,009
Public works - vehicle lease	-	39,894	9,006	30,888	7,014
Animal control vehicle lease	14,371	-	4,527	9,844	4,785
Public safety vehicle lease (2012)	19,844	-	6,290	13,554	6,505
Public safety vehicle lease (2013)	-	63,541	14,218	49,323	11,283
Accrued leave (net)	166,931	185,718	180,443	172,206	172,206
Estimated landfill closure costs	79,000	-	-	79,000	-
Total Long-Term Debt	<u>\$ 13,266,231</u>	<u>289,153</u>	<u>904,597</u>	<u>12,650,787</u>	<u>919,086</u>

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, 2014 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 630,000	546,090	1,176,090
2016	665,000	514,590	1,179,590
2017	695,000	481,340	1,176,340
2018	725,000	453,540	1,178,540
2019	750,000	409,540	1,174,540
2020-2024	4,260,000	1,615,025	5,875,025
2025-2028	4,180,000	552,758	4,732,758
Total	<u>\$ 11,905,000</u>	<u>4,572,883</u>	<u>16,477,883</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VII. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of a grader, a streets vehicle, a vehicle for animal control, and three vehicles for public safety. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The following is a summary of the assets acquired with the capital leases that have an outstanding balance as of June 30, 2014:

	Grader/ Streets Vehicle	Animal Control	Public Safety	Total
Machinery and equipment	\$ 378,251	24,000	106,450	508,701
Less accumulated depreciation	<u>(108,928)</u>	<u>(14,400)</u>	<u>(34,556)</u>	<u>(157,884)</u>
Carrying Value	<u>\$ 269,323</u>	<u>9,600</u>	<u>71,894</u>	<u>350,817</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, 2014:

Year Ending June 30,	General Fund
2015	\$ 110,567
2016	110,669
2017	29,439
2018	<u>23,225</u>
Total minimum lease payments	273,900
Less interest portion	<u>(21,300)</u>
Present value of future minimum lease payments	252,600
Less current portion	<u>(99,596)</u>
Total	<u>\$ 153,004</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VIII. FUND BALANCES

Fund balances at June 30, 2014, reported in the City's individual major funds and other governmental funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Landfill Closure Capital Project	Wastewater Treatment Plant Capital Project	Other Governmental Funds	Total Governmental Funds
Nonspendable - prepaid	\$ 78,261			26,000	104,261
Restricted:					
Mary Carlson Estate					
Expendable	-	-	-	388,161	388,161
School Construction	-	-	-	76,763	76,763
Enhanced 911	-	-	-	79,606	79,606
Asset forfeiture	-	-	-	6,072	6,072
Total restricted	-	-	-	550,602	550,602
Committed:					
Equipment replacement	-	-	-	121,174	121,174
Ambulance reserve	-	-	-	641,945	641,945
Capital project planning	-	-	-	23,744	23,744
Landfill	-	172,044	-	2,450	174,494
Total committed	-	172,044	-	789,313	961,357
Assigned:					
Water and Sewer	-	-	-	14,917	14,917
Dock	-	-	-	641,391	641,391
Total assigned	-	-	-	656,308	656,308
Unassigned (deficits)	4,427,006	-	-	(155,469)	4,271,537
Total fund balances	\$ 4,505,267	172,044	-	1,866,754	6,544,065

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

Net investment in capital assets at June 30, 2014 is made up of the following:

Capital assets, net of accumulated depreciation	\$ 48,254,062
Less:	
Bonds payable	11,905,000
Bond premium	241,981
Capital leases	252,600
Unspent bond proceeds	76,763
Net investment in capital assets	\$ <u>35,777,718</u>

The Dock and Harbor Capital project fund has a \$155,469 deficit at year end. The deficit will be covered by a transfer from the general fund in FY2015.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

IX. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

The current landfill has an estimated life of 50 years, with the installation of new more efficient incinerator equipment, resulting in the landfill lasting longer. Closure and post closure costs are estimated to be \$1,500,000. There is currently \$172,044 set aside in the Landfill Closure fund. The City will recognize the remaining estimated cost of closure and post closure care cost based on a 50-year life with the finalization of the installation in FY15.

X. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

A. Employee Retirement Systems and Plans

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

Retirement Plans. All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). The pension plan system also administers a post-employment healthcare benefit plan.

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2014 the past service rate is 24.19%.

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

Plan Description. The City of Dillingham, Alaska contributes to the Alaska Public Employees Retirement System (PERS), a multiple employer cost sharing defined benefit pension administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). PERS provides retirement benefits including disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The authority to establish and amend benefit provisions is assigned to the ARMB. 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.

All tier employees benefits vest with five years of credited service. Tier I employees enrolled prior to July 1, 1986 and before June 30, 2006 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. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

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

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

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Pension benefits are adjusted each year based upon increases in the Consumer Price Index (CPI) for the prior year. The increase in the benefits is 75% of the CPI increase up to a 9% maximum for recipients who are at least age 65 or on disability or 50% of the increase up to a 6% maximum for recipients who are at least age 60 but under age 65 or who have been receiving benefits for at least five years. Starting at age 65, or at any age for those employed before July 1, 1986, a retired employee who remains in Alaska is eligible for an additional allowance equal to 10% of the base benefit or \$50 a month, whichever is greater.

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. The City PERS active members are required to contribute 6.75% (3.26% pension costs and 3.49% post-employment health care costs) of their annual covered salary and the City is required to contribute at an actuarial determined rate; the current rate is 35.68%. The legislature capped the employer rate at 22% (10.64% pension cost and 11.36% post-employment health care cost), with the State of Alaska contributing an on behalf payment for the difference between the actuarial required contribution and the cap. The contribution requirements of plan members and the City are established and may be amended by the ARMB.

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.

Annual Pension, OPEB Cost and On-behalf Payment. The City's annual pension cost for the years ended June 30, 2014, 2013, and 2012 were \$422,076, \$448,797, and \$480,749, respectively and was equal to the City's actual contributions. For the year ended June 30, 2014, the State of Alaska contributed \$402,279 or 13.68% (7.74% pension cost and 5.94% post-employment health care cost) on behalf of the City. This amount has been recognized as both revenue and expenditures in the financial statements.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

Plan Description and Funding Requirements. Public Employers in the State of Alaska have a defined contribution retirement plan for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute 0.48% for the retiree medical plan, .14% for police and firefighters and 0.20% for all other occupational and death and disability benefits and 3% of employers average annual employee compensation to the health reimbursement arrangement (HRA). The effective employer contribution is 22%. 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%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2014 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution	\$ 84,390	135,024
Retiree medical plan	8,101	-
Occupational health and disability benefits	6,233	-
Health reimbursement agreement (HRA)	<u>61,003</u>	<u>-</u>
Total	<u>\$ 159,727</u>	<u>135,024</u>

Actual contributions were equal to the annual required contributions.

XI. DEFERRED COMPENSATION PLAN

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

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.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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, 2014.

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, 2014 was \$554,882. 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.

XV. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded their final budgets:

<u>Fund</u>	<u>Excess</u>
Special Revenue Funds:	
Library	\$ 6,539
Enhanced 911	4,094
Senior Citizen Center	16,932
Dock	361,592
Landfill	<u>76,354</u>
Total expenditures exceeding budgets	<u>465,511</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

XVI. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

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

- GASB 68 – *Accounting and Reporting for Pensions – an Amendment of GASB Statement No.27. Effective for fiscal years beginning after June 15, 2014.*
- GASB 69 – *Government Combinations and Disposals of Government Operations. Effective for fiscal years beginning after December 15, 2013.*
- GASB 71 – *Pension Transition for Contributions made subsequent to the Measurement Date – Amends GASB 68. Effective for fiscal years beginning after June 15, 2014.*

Statement number 69 is not expected to have any significant impact on the financial statements of the City.

GASB Statements Nos. 68 and 71, objectives are to improve accounting and reporting for pensions. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. These Statements establish methods and assumptions used to project benefit payments to their actuarial present value and attribute that present value to the periods of employee service. Note disclosures and required supplementary information are addressed in these Statements.

These Statements are effective for fiscal years beginning after June 15, 2014.

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,	2014			2013
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal government:				
Jail capital grant	\$ -	3,598	3,598	-
Payment in lieu of taxes	422,987	422,987	-	429,642
Total federal government	422,987	426,585	3,598	429,642
State of Alaska:				
Revenue sharing	210,704	210,963	259	300,237
Raw fish tax	276,513	276,513	-	339,410
Shared fisheries business tax	33,000	28,769	(4,231)	32,207
Electric and telephone co-op tax	75,000	77,393	2,393	73,328
PERS relief	232,178	318,206	86,028	321,501
Liquor licenses	1,500	4,600	3,100	6,800
Motor vehicle tax	25,000	28,376	3,376	27,031
Total State of Alaska	853,895	944,820	90,925	1,100,514
Local sources:				
Taxes:				
Sales taxes	2,700,000	2,717,734	17,734	2,713,102
Alcohol sales taxes	300,000	309,371	9,371	346,744
Transient lodging sales taxes	80,000	85,929	5,929	84,771
Nushagak raw fish tax	491,139	403,709	(87,430)	848,910
Real property taxes	1,500,000	1,563,927	63,927	1,479,252
Payment in lieu of taxes - BBHA	8,000	3,352	(4,648)	3,251
Personal property taxes	500,000	524,511	24,511	521,464
Penalty and interest on property taxes	80,000	62,605	(17,395)	80,390
Penalty and interest on sales taxes	15,000	22,882	7,882	19,213
Gaming taxes	65,000	49,509	(15,491)	79,532
Total taxes	\$ 5,739,139	5,743,529	4,390	6,176,629

(continued)

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

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Revenues, continued:				
Local sources, continued:				
Charges for services:				
Contract revenue	\$ 649,300	649,300	-	488,417
Commissary	4,000	4,707	707	4,348
Court deposits	12,000	8,611	(3,389)	3,613
Fines and fees	4,000	5,380	1,380	4,348
Insurance proceeds	-	-	-	23,635
Administrative overhead charges	348,137	420,179	72,042	356,504
Document copies	100	70	(30)	149
Platting and mapping fees	600	450	(150)	931
Ambulance fees	70,000	48,980	(21,020)	34,988
Other	1,250	690	(560)	874
Total charges for services	1,089,387	1,138,367	48,980	917,807
Licenses and permits:				
Animal licenses	2,600	2,784	184	2,174
Business licenses	16,800	13,900	(2,900)	14,950
Land use permits	700	850	150	1,260
Total licenses and permits	20,100	17,534	(2,566)	18,384
Fines and forfeitures:				
Title 47 fines	15,000	11,880	(3,120)	6,332
Lease and rental income	38,071	30,615	(7,456)	31,700
Investment income	35,000	37,645	2,645	21,234
Other revenues:				
DMV commission revenue	43,000	37,532	(5,468)	40,466
Seasonal patrol officer grant	-	12,669	12,669	18,493
Trooper dispatch	20,000	20,000	-	20,000
Equipment sales	10,000	4,059	(5,941)	3,012
Property sales	35,906	35,906	-	-
Other	15,150	2,281	(12,869)	62,704
Total other revenues	124,056	112,447	(11,609)	144,675
Total revenues	\$ 8,337,635	8,463,422	125,787	8,846,917

(continued)

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

Years Ended June 30,	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures:				
General government:				
City council:				
Lobbying	\$ 40,000	37,500	2,500	25,144
Contract labor	5,000	-	5,000	7,639
Council contributions	10,000	5,190	4,810	15,050
Subscriptions and memberships	4,500	4,558	(58)	2,965
Telephone	-	748	(748)	176
Travel	7,326	5,796	1,530	4,963
Training	600	-	600	2,118
Food	1,500	978	522	-
Supplies	-	248	(248)	1,999
Minor tools and equipment	1,250	1,420	(170)	65
Advertising	2,400	2,035	365	5,271
Total city council	72,576	58,473	14,103	65,390
City clerk:				
Salaries	73,261	74,812	(1,551)	64,533
Employee benefits	47,629	42,779	4,850	47,620
Subscriptions and memberships	220	220	-	185
Travel	900	1,207	(307)	730
Training	460	460	-	300
Supplies	500	623	(123)	624
Elections	3,200	3,193	7	5,059
Codification	7,500	4,899	2,601	2,627
Foreclosure	-	-	-	1,405
Minor tools and equipment	-	26	(26)	-
Major equipment	11,000	1,415	9,585	9,976
Total city clerk	144,670	129,634	15,036	133,059
City administration:				
Salaries	161,388	162,168	(780)	165,523
Overtime salaries	-	218	(218)	936
Employee benefits	122,563	111,664	10,899	98,571
Advertisement	1,000	763	237	-
Travel	6,000	6,396	(396)	7,002
Subscriptions and memberships	1,195	460	735	200
Supplies	3,000	7,062	(4,062)	2,926
Training	900	550	350	-
Contract labor	-	893	(893)	210
Minor tools and equipment	1,600	1,544	56	2,279
Project manager	3,000	1,850	1,150	6,955
Recruiting	-	-	-	4,075
Total city administration	\$ 300,646	293,568	7,078	288,677

(continued)

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

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued				
Finance:				
Salaries	309,477	281,072	28,405	316,441
Overtime salaries	6,000	4,222	1,778	7,603
Employee benefits	243,847	232,374	11,473	239,526
Accounting services and audit	-	7,700	(7,700)	-
Appraisal	22,950	22,950	-	24,085
Contract labor	6,000	7,855	(1,855)	-
Advertising	1,500	1,726	(226)	224
Subscriptions and memberships	95	-	95	486
Travel	4,429	4,445	(16)	4,069
Training	2,000	6,061	(4,061)	3,713
Bank charges	3,500	3,406	94	3,947
Cash over/under	-	-	-	(73)
Supplies	3,000	4,306	(1,306)	7,615
Computer software	16,700	14,892	1,808	-
Minor tools and equipment	2,500	2,390	110	2,312
Total finance	<u>621,998</u>	<u>593,399</u>	<u>28,599</u>	<u>609,948</u>
Legal	<u>90,000</u>	<u>73,997</u>	<u>16,003</u>	<u>139,440</u>
Insurance:				
General liability	51,232	51,682	(450)	38,303
Property	26,027	34,428	(8,401)	21,472
Automobile	18,757	25,118	(6,361)	19,569
Claims deductibles	10,000	4,807	5,193	13,157
Total insurance	<u>106,016</u>	<u>116,035</u>	<u>(10,019)</u>	<u>92,501</u>
Nondepartmental:				
Contract labor	5,000	900	4,100	12,572
Accounting services and audit	50,000	51,532	(1,532)	41,279
Advertising	1,500	1,653	(153)	494
Credit card processing fees	45,000	57,910	(12,910)	53,761
Supplies	15,600	25,469	(9,869)	4,258
Postage	7,000	12,777	(5,777)	8,730
Telephone	19,000	14,944	4,056	25,025
Internet	11,500	5,233	6,267	-
Food	5,000	1,602	3,398	3,156
Gas, oil and grease	800	1,393	(593)	393
Minor tools and equipment	-	922	(922)	122
Vehicle maintenance	1,200	1,593	(393)	1,605
Copier repair and maintenance	-	-	-	-
Janitorial	-	-	-	1,275
Computer hardware	3,450	112	3,338	4,089
Computer supplies and software	-	6,817	(6,817)	77,402
Computer support services	30,500	30,596	(96)	29,626
Equipment maintenance	5,351	2,964	2,387	2,273
Leased equipment	-	1,054	(1,054)	-
Non-reimbursed grant costs	-	-	-	50,385
Total nondepartmental	<u>\$ 200,901</u>	<u>217,471</u>	<u>(16,570)</u>	<u>316,445</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,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
Planning:				
Salaries	\$ 83,192	71,912	11,280	62,775
Employee benefits	37,949	34,461	3,488	37,484
Contract labor	49,761	43,190	6,571	22,922
Advertising	2,085	847	1,238	1,720
Subscriptions and memberships	945	945	-	1,298
Travel	3,939	5,377	(1,438)	2,839
Training	1,325	805	520	142
Recording fees	100	36	64	229
Supplies	1,100	948	152	2,094
Telephone	300	241	59	325
Neighborhood initiative	-	-	-	2,928
Minor tools and equipment	-	-	-	1,776
Total planning	<u>180,696</u>	<u>158,762</u>	<u>21,934</u>	<u>136,532</u>
Foreclosed property:				
Legal	20,000	40,698	(20,698)	(1,033)
Salaries	-	226	(226)	-
Advertising	-	1,429	(1,429)	-
Total foreclosed property	<u>20,000</u>	<u>42,353</u>	<u>(22,353)</u>	<u>(1,033)</u>
Total general government	<u>1,737,503</u>	<u>1,683,692</u>	<u>53,811</u>	<u>1,780,959</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	221,705	210,525	11,180	227,600
Overtime salaries	40,000	33,778	6,222	25,707
Employee benefits	184,358	173,109	11,249	185,809
Travel	5,000	262	4,738	2,422
Training	1,000	-	1,000	299
Telephone	500	420	80	-
Internet	-	5,100	(5,100)	-
APSIN contract	1,420	1,417	3	-
Uniforms	750	570	180	399
Minor tools and equipment	4,950	404	4,546	8,075
Total police dispatch	<u>\$ 459,683</u>	<u>425,585</u>	<u>34,098</u>	<u>450,311</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,	2014			2013
Expenditures, continued:	Budget	Actual	Variance	Actual
Public safety, continued:				
Police department:				
Salaries	\$ 369,238	353,916	15,322	247,924
Overtime salaries	75,000	55,585	19,415	50,591
Employee benefits	287,435	262,647	24,788	196,134
Recruiting	10,000	4,497	5,503	10,709
Contract labor and towing	2,000	181	1,819	272
Insurance	-	-	-	18,949
Travel	25,100	3,816	21,284	7,160
Supplies	1,000	70	930	4,980
Uniforms	5,000	2,324	2,676	2,198
Gas, oil and grease	20,000	21,933	(1,933)	23,578
Vehicle lease	14,481	14,218	263	-
Food	2,500	-	2,500	-
Minor tools and equipment	17,500	12,250	5,250	4,768
Major equipment	-	-	-	2,494
Vehicle maintenance	17,500	22,354	(4,854)	12,579
Building repairs	-	-	-	701
Required inspections	-	-	-	20
Equipment maintenance	2,000	444	1,556	539
Total police department	<u>848,754</u>	<u>754,235</u>	<u>94,519</u>	<u>583,596</u>
Jail:				
Salaries	278,792	300,408	(21,616)	249,851
Overtime salaries	25,000	26,808	(1,808)	31,234
Finance support	26,400	-	26,400	-
Employee benefits	207,363	214,082	(6,719)	186,531
Insurance	14,055	21,632	(7,577)	9,160
Subscriptions and memberships	300	-	300	-
Travel	2,700	2,782	(82)	1,509
Training	800	20	780	-
Supplies	7,300	5,529	1,771	4,885
Uniforms	1,500	1,202	298	885
Gas, oil and grease	1,000	1,209	(209)	67
Food	39,000	27,909	11,091	29,605
Minor tools and equipment	3,000	2,589	411	2,984
Major equipment	20,400	2,567	17,833	2,339
Telephone	1,000	1,821	(821)	-
Internet	-	6,416	(6,416)	-
Electricity	12,000	12,286	(286)	12,115
Heating fuel	15,000	18,840	(3,840)	16,060
Water and sewer	1,500	2,391	(891)	1,372
Refuse collection	1,875	1,668	207	1,826
Janitorial	8,250	14,001	(5,751)	7,809
Building repairs	5,000	11,207	(6,207)	3
Vehicle maintenance	1,000	1,614	(614)	16
Equipment maintenance	300	8,176	(7,876)	-
Required inspections	2,000	1,273	727	1,273
Total jail	<u>\$ 675,535</u>	<u>686,430</u>	<u>(10,895)</u>	<u>559,524</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,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Department of motor vehicles:				
Salaries	\$ 66,216	77,147	(10,931)	52,125
Overtime salaries	500	780	(280)	-
Employee benefits	39,807	40,420	(613)	32,504
Travel	-	2,902	(2,902)	-
Gas, oil, and grease	-	18	(18)	-
Supplies	-	-	-	483
Minor tools and equipment	1,000	135	865	129
Total department of motor vehicles	<u>107,523</u>	<u>121,402</u>	<u>(13,879)</u>	<u>85,241</u>
Fire department:				
Salaries	77,943	72,767	5,176	56,597
Overtime salaries	4,000	2,210	1,790	1,465
Employee benefits	66,598	56,582	10,016	46,651
Recruiting	-	2,547	(2,547)	-
Insurance	450	450	-	450
Advertising	345	500	(155)	620
Subscriptions and memberships	655	654	1	1,039
Travel	8,000	6,054	1,946	4,327
Training	5,000	3,203	1,797	5,045
Supplies	500	1,281	(781)	1,479
Postage	200	430	(230)	165
EMS and fire supplies	10,000	10,248	(248)	20,486
Public education	500	-	500	188
Ambulance billing	6,000	4,289	1,711	5,975
Gas, oil and grease	5,000	1,640	3,360	2,269
Minor tools and equipment	10,000	10,056	(56)	7,884
Major equipment	10,000	-	10,000	7,173
Janitorial	450	361	89	45
Building repairs	3,000	3,116	(116)	1,573
Vehicle maintenance	5,000	8,416	(3,416)	4,718
Fire department equipment replacement	-	-	-	4,519
Telephone	6,000	4,401	1,599	5,681
Internet	1,500	1,464	36	-
Electricity	5,000	4,832	168	4,971
Heating fuel	22,500	24,634	(2,134)	24,999
Water and sewer	1,010	2,843	(1,833)	1,010
Refuse	500	1,080	(580)	-
Required inspections	1,500	435	1,065	1,157
Sample testing	-	75	(75)	215
Medical tests	500	-	500	397
Member recognition	5,500	1,611	3,889	4,644
Airport lease	550	-	550	550
Personal protective equipment	7,500	4,167	3,333	-
Equipment maintenance	2,000	723	1,277	1,029
Total fire department	<u>\$ 267,701</u>	<u>231,069</u>	<u>36,632</u>	<u>217,321</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>2014 Actual</u>	<u>Variance</u>	<u>2013 Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	\$ 44,505	46,567	(2,062)	46,054
Overtime salaries	2,000	2,732	(732)	2,182
Employee benefits	30,719	32,975	(2,256)	31,426
Subscriptions and memberships	-	-	-	756
Travel	3,000	-	3,000	136
Training	1,000	-	1,000	-
Supplies	2,000	1,011	989	2,368
Food items	2,000	716	1,284	576
Gas, oil and grease	2,000	2,716	(716)	2,506
Uniforms	500	287	213	152
Minor tools and equipment	1,000	1,463	(463)	1,383
Major equipment	-	492	(492)	370
Leased equipment	5,347	5,346	1	5,346
Telephone and internet	1,545	573	972	549
Electricity	2,600	433	2,167	2,492
Heating fuel	4,000	-	4,000	4,513
Refuse collection	1,100	1,200	(100)	1,248
Building rent	27,600	20,742	6,858	29,200
Vehicle maintenance	500	555	(55)	390
Building repairs	-	834	(834)	-
Insurance	1,000	1,000	-	-
Total animal control	<u>132,416</u>	<u>119,642</u>	<u>12,774</u>	<u>131,647</u>
K-9:				
Salaries	-	-	-	39,139
Overtime salaries	-	-	-	15,343
Employee benefits	-	-	-	24,783
Contract services	-	-	-	364
Travel	-	-	-	73
Supplies	-	-	-	439
Food items	-	-	-	637
Total K-9	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>80,778</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,	2014		2013	
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Information technology:				
Minor tools and equipment	\$ 10,000	6,476	3,524	8,224
Computer software	2,000	795	1,205	598
Computer support services	20,000	6,223	13,777	5,070
Total information technology	<u>32,000</u>	<u>13,494</u>	<u>18,506</u>	<u>13,892</u>
Administration:				
Salaries	58,590	63,928	(5,338)	55,581
Overtime	-	139	(139)	-
Employee benefits	48,333	49,443	(1,110)	38,776
Advertising	3,000	-	3,000	-
Insurance	14,055	12,485	1,570	-
Subscriptions and memberships	500	210	290	300
Travel	4,680	987	3,693	2,920
Training	750	300	450	-
Court processing	1,000	81	919	115
Supplies	5,000	1,311	3,689	630
Postage	1,500	1,604	(104)	1,240
Uniforms	500	338	162	-
Gas, oil and grease	1,500	491	1,009	236
Major equipment	4,000	-	4,000	-
Vehicle lease	7,710	7,520	190	7,520
Telephone	11,500	12,125	(625)	16,168
Internet	4,500	328	4,172	-
Electricity	4,000	2,880	1,120	4,577
Water and sewer	500	1,219	(719)	711
Heating fuel	5,000	7,185	(2,185)	8,692
Refuse collection	625	828	(203)	766
Building repairs	-	-	-	209
Janitorial	2,750	3,578	(828)	-
Vehicle maintenance	1,000	423	577	380
Total administration	<u>180,993</u>	<u>167,403</u>	<u>13,590</u>	<u>138,821</u>
Investigations WAANT:				
Salaries	-	-	-	30,084
Overtime salaries	-	-	-	7,244
Employee benefits	-	-	-	21,210
Travel	-	-	-	546
Supplies	-	-	-	200
Uniforms	-	-	-	114
Total investigations WAANT	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,398</u>
Total public safety	<u>\$ 2,704,605</u>	<u>2,519,260</u>	<u>185,345</u>	<u>2,320,529</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,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works:				
Administration:				
Salaries	\$ 94,779	90,251	4,528	94,850
Overtime salaries	2,000	1,826	174	523
Employee benefits	64,346	58,629	5,717	73,378
Advertising	2,000	1,573	427	107
Subscriptions and memberships	517	558	(41)	-
Travel	734	992	(258)	269
Supplies	3,500	3,342	158	2,313
Gas, oil and grease	3,200	2,820	380	2,635
Telephone	1,500	1,431	69	1,436
Minor tools and equipment	5,551	6,420	(869)	146
Building repairs	282	282	-	124
Vehicle maintenance	500	346	154	-
Total administration	<u>178,909</u>	<u>168,470</u>	<u>10,439</u>	<u>175,781</u>
Building and grounds maintenance:				
Salaries	105,371	99,756	5,615	103,584
Overtime salaries	7,200	7,120	80	13,619
Employee benefits	81,044	63,398	17,646	90,481
Contract labor	-	-	-	55
Training	(313)	-	(313)	586
Supplies	1,000	1,002	(2)	2,561
Gas, oil and grease	4,175	4,329	(154)	5,199
Safety equipment	1,388	874	514	904
Minor tools and equipment	3,400	3,522	(122)	4,885
Telephone	1,200	1,172	28	2,086
Electricity	9,150	8,319	831	9,237
Heating fuel	44,000	41,758	2,242	36,414
Water and sewer	1,800	1,576	224	2,141
Refuse collection	-	-	-	175
Janitorial	28,000	22,133	5,867	24,915
Building repairs	32,000	48,658	(16,658)	38,450
Vehicle maintenance	2,000	2,595	(595)	3,035
Equipment repairs	1,000	817	183	84
Required inspections	-	-	-	880
Total building and grounds maintenance	<u>322,415</u>	<u>307,029</u>	<u>15,386</u>	<u>339,291</u>
Shop maintenance:				
Salaries	5,000	24,750	(19,750)	82,680
Allocated to other funds	-	-	-	(91,624)
Overtime salaries	1,400	1,207	193	1,085
Employee benefits	104,838	74,874	29,964	67,992
Supplies	9,000	8,999	1	7,407
Gas, oil and grease	2,972	1,753	1,219	13,218
Used oil management	500	396	104	272
Minor tools and equipment	7,500	7,009	491	7,888
Safety equipment	1,100	1,064	36	69
Telephone	2,500	1,690	810	3,237
Electricity	11,300	10,342	958	14,728
Heating fuel	17,071	18,647	(1,576)	36,070
Refuse collection	2,700	2,496	204	2,640
Building repairs	3,075	2,961	114	9,173
Vehicle maintenance	1,120	1,116	4	2,161
Required inspections	358	358	-	606
Medical testing	56	56	-	-
Equipment maintenance	1,500	919	581	2,346
Total shop maintenance	<u>\$ 171,990</u>	<u>158,637</u>	<u>13,353</u>	<u>159,948</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,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries	\$ 110,955	80,441	30,514	115,523
Overtime salaries	19,000	18,696	304	22,352
Employee benefits	87,194	69,228	17,966	103,606
Insurance	10,278	10,278	-	9,655
Training	-	100	(100)	678
Supplies	3,500	2,082	1,418	1,583
Gas, oil and grease	62,000	64,560	(2,560)	55,598
Salt and calcium	25,000	24,199	801	42,711
Street signs	2,000	1,356	644	841
Road maintenance	74,665	54,422	20,243	19,979
Gravel	113,500	105,779	7,721	25,700
Minor tools and equipment	2,700	1,398	1,302	692
Safety equipment	1,500	953	547	2,848
Telephone	-	45	(45)	-
Electricity	18,000	17,840	160	20,170
Vehicle maintenance	30,000	18,538	11,462	22,495
Equipment repairs	27,185	43,435	(16,250)	62,300
Medical tests	-	136	(136)	-
Grader lease	82,040	89,797	(7,757)	80,791
Total streets	<u>669,517</u>	<u>603,283</u>	<u>66,234</u>	<u>587,522</u>
Total public works	<u>1,342,831</u>	<u>1,237,419</u>	<u>105,412</u>	<u>1,262,542</u>
Community services:				
Library:				
Salaries	69,400	64,286	5,114	65,105
Overtime salaries	-	706	(706)	212
Employee benefits	33,229	30,982	2,247	30,328
Subscriptions and memberships	725	35	690	669
Advertising	200	-	200	-
Travel	650	-	650	-
Training	300	-	300	23
Supplies	200	168	32	2,405
Postage	50	170	(120)	187
Software	600	599	1	599
Audio visual	1,640	453	1,187	654
Books	2,640	1,495	1,145	507
Periodicals	750	751	(1)	465
Summer reading program	500	508	(8)	303
Collection preservation	1,000	1,004	(4)	1,360
Minor tools and equipment	1,250	495	755	3,429
Telephone	200	401	(201)	65
Internet	208	208	-	-
Electricity	3,000	2,620	380	3,011
Water and sewer	1,200	1,234	(34)	1,582
Refuse collection	300	300	-	300
Janitorial	6,000	5,940	60	5,940
Heating fuel	6,700	6,043	657	7,218
Building repairs	500	887	(387)	980
Required inspections	200	-	200	-
Equipment maintenance	1,800	1,698	102	545
Total library	<u>\$ 133,242</u>	<u>120,983</u>	<u>12,259</u>	<u>125,887</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,	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
Community services, continued:				
Meeting hall:				
Telephone	\$ 400	510	(110)	353
Electricity	660	1,436	(776)	424
Water and sewer	1,420	1,215	205	1,419
Refuse collection	1,200	288	912	1,416
Total meeting hall	<u>3,680</u>	<u>3,449</u>	<u>231</u>	<u>3,612</u>
Community development:				
Electricity	-	511	(511)	
Parks and recreation	-	-	-	357
Total community development	<u>-</u>	<u>511</u>	<u>(511)</u>	<u>357</u>
Total community services	<u>136,922</u>	<u>124,943</u>	<u>11,979</u>	<u>129,856</u>
Total expenditures	<u>7,221,861</u>	<u>6,865,314</u>	<u>356,547</u>	<u>6,793,886</u>
Excess (deficiency) of revenues over expenditures	<u>1,115,774</u>	<u>1,598,108</u>	<u>(230,760)</u>	<u>2,053,031</u>
Other financing sources (uses):				
Proceeds from sale of assets	-	1,500	1,500	-
Transfers out	<u>(1,393,381)</u>	<u>(1,539,361)</u>	<u>(145,980)</u>	<u>(980,496)</u>
Net other financing sources (uses)	<u>(1,393,381)</u>	<u>(1,537,861)</u>	<u>(144,480)</u>	<u>(980,496)</u>
Net change in fund balance	\$ <u><u>(277,607)</u></u>	60,247	\$ <u><u>(375,240)</u></u>	1,072,535
Fund balance at beginning of year		<u>4,445,020</u>		<u>3,372,485</u>
Fund balance at end of year		\$ <u><u>4,505,267</u></u>		\$ <u><u>4,445,020</u></u>

CITY OF DILLINGHAM, ALASKA
 Other Governmental Funds
 Combining Balance Sheet

June 30, 2014

	Special Revenue Funds											
	Water and Sewer	Landfill	Dock	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Homeland Security	Library	Public Safety	Other Local Support	Debt Service Fund
<u>Assets</u>												
Cash and investments	\$ -	100	-	100	-	-	500	-	-	-	-	-
Prepays	-	-	26,000	-	-	-	-	-	-	-	-	-
Receivables:												
Accounts	111,688	12,865	284,189	27,817	-	-	-	-	-	-	-	8,229
Grants	-	-	-	6,312	-	-	7,465	114,791	7,458	670	5,607	-
Allowance for uncollectible accounts	(34,830)	(3,607)	-	(8,345)	-	-	-	-	-	-	-	-
Due from other funds	-	18,747	430,521	-	83,700	6,072	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ <u>76,858</u>	<u>28,105</u>	<u>740,710</u>	<u>25,884</u>	<u>83,700</u>	<u>6,072</u>	<u>7,965</u>	<u>114,791</u>	<u>7,458</u>	<u>670</u>	<u>5,607</u>	<u>8,229</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>												
Liabilities:												
Accounts payable	\$ 14,255	20,923	385	17,795	4,094	-	4,338	-	470	-	-	-
Accrued payroll and related liabilities	3,352	4,732	8,081	3,805	-	-	3,462	-	-	-	-	-
Due to other funds	44,334	-	-	4,284	-	-	165	114,791	2,798	670	5,607	8,229
Unearned revenue	-	-	-	-	-	-	-	-	4,190	-	-	-
Total liabilities	<u>61,941</u>	<u>25,655</u>	<u>8,466</u>	<u>25,884</u>	<u>4,094</u>	<u>-</u>	<u>7,965</u>	<u>114,791</u>	<u>7,458</u>	<u>670</u>	<u>5,607</u>	<u>8,229</u>
Deferred inflows of resources	-	-	64,853	-	-	-	-	-	-	-	-	-
Fund balances(deficits):												
Nonspendable	-	-	26,000	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	79,606	6,072	-	-	-	-	-	-
Committed	-	2,450	-	-	-	-	-	-	-	-	-	-
Assigned	14,917	-	641,391	-	-	-	-	-	-	-	-	-
Unassigned (deficits)	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>14,917</u>	<u>2,450</u>	<u>667,391</u>	<u>-</u>	<u>79,606</u>	<u>6,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ <u>76,858</u>	<u>28,105</u>	<u>740,710</u>	<u>25,884</u>	<u>83,700</u>	<u>6,072</u>	<u>7,965</u>	<u>114,791</u>	<u>7,458</u>	<u>670</u>	<u>5,607</u>	<u>8,229</u>

(continued)

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

	Capital Project Funds										Mary Carlson Estate Permanent Fund	Total Other Funds
	Dock and Harbor	Water and Sewer	School Bonds	Equipment Replacement	Ambulance Reserve	Capital Project Planning	Library Roof	Water System Improvements Phase II	Public Safety	Other Local Support		
<u>Assets</u>												
Cash and investments	\$ -	-	-	-	-	-	-	-	-	-	389,217	389,917
Prepays	-	-	-	-	-	-	-	-	-	-	-	26,000
Receivables:												
Accounts	-	-	-	-	-	-	-	-	-	-	-	444,788
Grants	342	-	-	-	-	-	6,022	-	-	40,571	-	189,238
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-	(46,782)
Due from other funds	-	-	-	125,253	641,945	23,744	-	-	3,080	-	-	1,333,062
Restricted cash	-	-	136,575	-	-	-	-	-	-	-	-	136,575
Total assets	\$ 342	-	136,575	125,253	641,945	23,744	6,022	-	3,080	40,571	389,217	2,472,798
<u>Liabilities, deferred inflows of resources, and fund balances</u>												
Liabilities:												
Accounts payable	\$ -	-	-	4,079	-	-	-	-	-	4,217	-	70,556
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	23,432
Due to other funds	147,911	-	59,812	-	-	-	6,022	-	-	36,354	1,056	432,033
Unearned revenue	7,900	-	-	-	-	-	-	-	3,080	-	-	15,170
Total liabilities	155,811	-	59,812	4,079	-	-	6,022	-	3,080	40,571	1,056	541,191
Deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	64,853
Fund balances (deficits):												
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	26,000
Restricted	-	-	76,763	-	-	-	-	-	-	-	388,161	550,602
Committed	-	-	-	121,174	641,945	23,744	-	-	-	-	-	789,313
Assigned	-	-	-	-	-	-	-	-	-	-	-	656,308
Unassigned	(155,469)	-	-	-	-	-	-	-	-	-	-	(155,469)
Total fund balances (deficits)	(155,469)	-	76,763	121,174	641,945	23,744	-	-	-	-	388,161	1,866,754
resources and fund balances (deficits)	\$ 342	-	136,575	125,253	641,945	23,744	6,022	-	3,080	40,571	389,217	2,472,798

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

June 30, 2014

	Special Revenue Funds											Debt Service Fund
	Water and Sewer	Landfill	Dock	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Homeland Security	Library	Public Safety	Other Local Support	
Revenues:												
Intergovernmental:												
Federal sources	\$ -	-	-	-	-	-	94,177	115,198	15,764	670	-	-
State of Alaska	18,071	16,887	23,897	7,669	-	-	62,399	-	7,588	-	-	823,049
Local sources:												
Local assistance	-	7,785	319	6,815	-	-	-	-	36,680	-	5,607	-
Charges for services	409,980	131,957	537,985	128,210	75,365	-	-	-	-	-	-	-
Lease and rental income	-	-	-	12,151	584	-	30,087	-	-	-	-	-
Investment income (loss)	-	-	6,689	-	-	52	-	-	-	-	-	-
Other	14,632	-	672	12,024	-	-	19,919	-	-	-	-	-
Total revenues	<u>442,683</u>	<u>156,629</u>	<u>569,562</u>	<u>166,869</u>	<u>75,949</u>	<u>52</u>	<u>206,582</u>	<u>115,198</u>	<u>60,032</u>	<u>670</u>	<u>5,607</u>	<u>823,049</u>
Expenditures:												
Current:												
Public safety	-	-	-	-	4,094	3,015	-	115,198	-	670	-	-
Community services	-	-	-	-	-	-	-	-	60,032	-	5,607	-
Water and sewer	469,987	-	-	-	-	-	-	-	-	-	-	-
Landfill	-	440,396	-	-	-	-	-	-	-	-	-	-
Dock	-	-	890,760	-	-	-	-	-	-	-	-	-
Boat harbor	-	-	-	199,432	-	-	-	-	-	-	-	-
Senior citizen center	-	-	-	-	-	-	430,122	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	1,176,090
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>469,987</u>	<u>440,396</u>	<u>890,760</u>	<u>199,432</u>	<u>4,094</u>	<u>3,015</u>	<u>430,122</u>	<u>115,198</u>	<u>60,032</u>	<u>670</u>	<u>5,607</u>	<u>1,176,090</u>
Excess (deficiency) of revenues over expenditures	<u>(27,304)</u>	<u>(283,767)</u>	<u>(321,198)</u>	<u>(32,563)</u>	<u>71,855</u>	<u>(2,963)</u>	<u>(223,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(353,041)</u>
Other financing sources (uses):												
Insurance proceeds	-	-	316,211	-	-	-	-	-	-	-	-	-
Transfers in	22,071	283,767	-	32,563	-	-	223,540	-	-	-	-	353,041
Transfers out	-	-	(432,563)	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	<u>22,071</u>	<u>283,767</u>	<u>(116,352)</u>	<u>32,563</u>	<u>-</u>	<u>-</u>	<u>223,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,041</u>
Net change in fund balances	(5,233)	-	(437,550)	-	71,855	(2,963)	-	-	-	-	-	-
Fund balances (deficits) at beginning of year	20,150	2,450	1,104,941	-	7,751	9,035	-	-	-	-	-	-
Fund balances (deficits) at end of year	\$ <u>14,917</u>	<u>2,450</u>	<u>667,391</u>	<u>-</u>	<u>79,606</u>	<u>6,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

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

	Capital Project Funds										Mary Carlson Estate Permanent Fund	Total Other Governmental Funds
	Dock and Harbor	Water and Sewer	School Bonds	Equipment Replacement	Ambulance Reserve	Capital Project Planning	Library Roof	Water System Improvements	Public Safety	Local Support		
Revenues:												
Intergovernmental:												
Federal government	\$ -	-	-	-	-	-	-	9,769	1,417	-	-	236,995
State of Alaska	80,528	61,643	-	-	-	-	159,483	3,256	17,327	-	-	1,281,797
Local sources:												
Local assistance	-	-	-	-	-	-	-	-	-	213,008	-	270,214
Charges for services	-	-	-	-	-	-	-	-	-	-	-	1,283,497
Lease and rental income	-	-	-	-	-	-	-	-	-	-	-	42,822
Investment income (loss)	-	-	785	-	-	-	-	-	-	-	3,643	11,169
Other	-	-	-	-	33,056	-	-	-	-	-	-	80,303
Total revenues	<u>80,528</u>	<u>61,643</u>	<u>785</u>	<u>-</u>	<u>33,056</u>	<u>-</u>	<u>159,483</u>	<u>13,025</u>	<u>18,744</u>	<u>213,008</u>	<u>3,643</u>	<u>3,206,797</u>
Expenditures:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	122,977
Community services	-	-	-	-	-	-	-	-	-	-	5,181	70,820
Water and sewer	-	-	-	-	-	-	-	-	-	-	-	469,987
Landfill	-	-	-	-	-	-	-	-	-	-	-	440,396
Dock	-	-	-	-	-	-	-	-	-	-	-	890,760
Boat harbor	-	-	-	-	-	-	-	-	-	-	-	199,432
Senior citizen center	-	-	-	-	-	-	-	-	-	-	-	430,122
Debt service	-	-	-	-	-	-	-	-	-	-	-	1,176,090
Capital outlay	80,528	46,504	36,118	836,862	360	16,256	159,483	13,023	18,779	213,008	-	1,420,921
Total expenditures	<u>80,528</u>	<u>46,504</u>	<u>36,118</u>	<u>836,862</u>	<u>360</u>	<u>16,256</u>	<u>159,483</u>	<u>13,023</u>	<u>18,779</u>	<u>213,008</u>	<u>5,181</u>	<u>5,221,505</u>
Excess (deficiency) of revenues over expenditures	-	15,139	(35,333)	(836,862)	32,696	(16,256)	-	2	(35)	-	(1,538)	(2,014,708)
Other financing sources (uses) -												
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	316,211
Transfers in	-	-	-	901,000	44,691	20,000	-	66,164	35	-	-	1,946,872
Transfers out	-	-	-	-	(35)	-	-	-	-	-	-	(432,598)
Net other financing sources (uses)	-	-	-	901,000	44,656	20,000	-	66,164	35	-	-	1,830,485
Net change in fund balances	-	15,139	(35,333)	64,138	77,352	3,744	-	66,166	-	-	(1,538)	(184,223)
Fund balances (deficits) at beginning of year	(155,469)	(15,139)	112,096	57,036	564,593	20,000	-	(66,166)	-	-	389,699	2,050,977
Fund balances (deficits) at end of year	\$ <u>(155,469)</u>	<u>-</u>	<u>76,763</u>	<u>121,174</u>	<u>641,945</u>	<u>23,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,161</u>	<u>1,866,754</u>

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 16,964	18,071	1,107	6,161
Local sources:				
Charges for services:				
Water sales	164,267	155,363	(8,904)	161,089
Sewer fees	247,600	254,617	7,017	241,028
Total charges for services	411,867	409,980	(1,887)	402,117
Other	23,000	14,632	(8,368)	-
Total revenues	451,831	442,683	(9,148)	408,278
Expenditures:				
Water:				
Salaries	53,634	52,763	871	37,598
Overtime salaries	13,000	13,557	(557)	10,007
Employee benefits	51,610	46,798	4,812	35,924
Contract labor	338	338	-	(2,484)
Insurance	3,859	3,859	-	3,859
Travel and training	-	65	(65)	2,687
Supplies	5,853	5,850	3	8,217
Gas, oil and grease	3,711	3,702	9	2,823
Minor tools and equipment	6,350	6,319	31	4,129
Utilities and telephone	30,150	28,325	1,825	27,489
Building and equipment repairs	11,175	12,140	(965)	11,152
Sample testing and inspections	3,665	3,439	226	1,098
Administrative overhead	36,297	40,550	(4,253)	27,267
Total water	219,642	217,705	1,937	169,766
Sewer:				
Salaries	53,634	50,153	3,481	44,825
Overtime salaries	18,500	18,776	(276)	19,998
Employee benefits	56,303	46,020	10,283	51,916
Contract labor	5,175	10,233	(5,058)	1,522
Insurance	-	-	-	2,270
Travel and training	4,960	5,278	(318)	1,798
Supplies	7,534	7,472	62	1,885
Chemicals	2,006	2,006	-	-
Gas, oil and grease	4,364	4,169	195	4,724
Minor tools and equipment	1,800	1,867	(67)	1,167
Utilities and telephone	40,000	32,791	7,209	43,453
Building and equipment repairs	12,300	16,242	(3,942)	37,658
Sample testing and inspections	10,800	11,020	(220)	16,922
Administrative overhead	45,600	46,255	(655)	45,650
Total sewer	262,976	252,282	10,694	273,788
Total expenditures	482,618	469,987	12,631	443,554
Excess (deficiency) of revenues over expenditures	(30,787)	(27,304)	3,483	(35,276)
Other financing sources - transfers in	33,192	22,071	(11,121)	35,382
Net change in fund balance	\$ 2,405	(5,233)	(7,638)	106
Fund balance at beginning of year		20,150		20,044
Fund balance at end of year		\$ 14,917		20,150

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

Years Ended June 30,	2014		Variance	2013
	Budget	Actual		Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 12,861	16,887	4,026	13,419
Local sources:				
Local assistance	-	7,785	7,785	-
Charges for services -				
Landfill fees	165,000	131,957	(33,043)	131,640
Total revenues	<u>177,861</u>	<u>156,629</u>	<u>(21,232)</u>	<u>145,059</u>
Expenditures:				
Salaries	101,206	136,267	(35,061)	101,242
Overtime salaries	8,650	9,260	(610)	17,163
Employee benefits	73,511	76,700	(3,189)	67,657
Insurance	4,911	4,911	-	4,911
Advertising	800	559	241	312
Training and travel	2,459	2,458	1	3,467
Supplies	3,094	3,093	1	1,917
Gravel	12,420	12,420	-	-
Gas, oil and grease	21,200	23,245	(2,045)	26,344
Minor tools and equipment	2,594	2,971	(377)	1,425
Major equipment	-	-	-	12,046
Utilities and telephone	23,045	24,455	(1,410)	16,623
Building and equipment repairs	22,178	28,192	(6,014)	33,180
Sample testing and inspections	27,300	35,285	(7,985)	17,862
Administrative overhead	60,674	80,580	(19,906)	58,146
Total expenditures	<u>364,042</u>	<u>440,396</u>	<u>(76,354)</u>	<u>362,295</u>
Excess (deficiency) of revenues over expenditures	(186,181)	(283,767)	(97,586)	(217,236)
Other financing sources - transfers in	<u>186,181</u>	283,767	<u>97,586</u>	219,686
Net change in fund balance	\$ <u>-</u>	-	<u>-</u>	2,450
Fund balance at beginning of year		<u>2,450</u>		<u>-</u>
Fund balance at end of year		\$ <u><u>2,450</u></u>		<u><u>2,450</u></u>

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

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 37,094	23,897	(13,197)	21,179
Local sources:				
Charges for services:				
Wharfage and handling	450,000	359,112	(90,888)	314,338
Docking	45,000	58,026	13,026	59,309
Labor income	3,500	2,540	(960)	1,999
Equipment rental	35,000	49,857	14,857	54,487
Fuel flowage fees	50,000	68,450	18,450	31,394
Total charges for services	583,500	537,985	(45,515)	461,527
Local assistance	-	319	319	-
Investment income	2,000	6,689	4,689	-
Other	23,000	672	22,328	750
Total revenues	645,594	569,562	(31,376)	483,456
Expenditures:				
Salaries	151,228	143,583	7,645	132,530
Overtime salaries	25,000	40,768	(15,768)	26,469
Employee benefits	128,144	118,482	9,662	130,584
Contract labor	15,000	11,843	3,157	-
Insurance	51,000	26,000	25,000	26,000
Travel and training	2,175	2,258	(83)	2,288
Supplies	1,001	1,271	(270)	2,683
Gravel	24,000	24,000	-	-
Gas, oil and grease	15,000	9,648	5,352	22,266
Minor tools and equipment	1,400	1,331	69	1,457
Major equipment - forklift	-	-	-	4,735
Utilities and telephone	18,750	25,001	(6,251)	23,552
Building and equipment repairs	12,000	24,736	(12,736)	11,221
Dock repair	2,500	342,889	(340,389)	9,386
Inspections	800	716	84	656
Administrative overhead	81,170	118,234	(37,064)	89,398
Total expenditures	529,168	890,760	(361,592)	483,225
Excess (deficiency) of revenues over expenditures	116,426	(321,198)	(437,624)	231
Other financing sources (uses):				
Insurance proceeds	-	316,211	316,211	-
Transfers out	(510,938)	(432,563)	78,375	(74,337)
Net other financing sources (uses)	(510,938)	(116,352)	394,586	(74,337)
Net change in fund balance	\$ (394,512)	(437,550)	(43,038)	(74,106)
Fund balance at beginning of year		1,104,941		1,179,047
Fund balance at end of year		\$ 667,391		1,104,941

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,	2014		Variance	2013
	Budget	Actual		Actual
Revenues:				
Intergovernmental -				
State PERS relief	6,314	7,669	1,355	7,177
Local sources:				
Charges for services - boat harbor fees	\$ 100,000	128,210	28,210	101,095
Lease lots	18,000	12,151	(5,849)	7,703
Local assistance	-	6,815	6,815	6,339
Other	15,300	12,024	(3,276)	-
Total revenues	<u>139,614</u>	<u>166,869</u>	<u>27,255</u>	<u>122,314</u>
Expenditures:				
Salaries	70,076	48,540	21,536	51,016
Overtime salaries	6,000	6,533	(533)	8,369
Employee benefits	51,218	33,664	17,554	36,904
Contract labor	1,500	-	1,500	675
Insurance	2,956	2,956	-	2,956
Advertising	600	956	(356)	624
Memberships	200	150	50	-
Travel and training	200	375	(175)	370
Supplies	3,500	4,919	(1,419)	7,286
Gas, oil and grease	3,500	2,475	1,025	2,125
Minor tools and equipment	4,700	3,408	1,292	6,202
Utilities and telephone	36,400	26,204	10,196	34,814
Janitorial services	5,500	4,600	900	4,980
Building and equipment repairs	21,000	28,067	(7,067)	9,188
Inspections	2,800	1,251	1,549	615
Administrative overhead	40,402	35,334	5,068	30,527
Total expenditures	<u>250,552</u>	<u>199,432</u>	<u>51,120</u>	<u>196,651</u>
Excess (deficiency) of revenues over expenditures	(110,938)	(32,563)	78,375	(74,337)
Other financing sources - transfers in	<u>112,438</u>	<u>32,563</u>	<u>79,875</u>	<u>74,337</u>
Net change in fund balance	\$ <u>1,500</u>	-	<u>158,250</u>	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ <u>-</u>		<u>-</u>

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

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance	Actual
Revenues - charges for services - E911 revenue	\$ 70,000	75,365	5,365	70,263
Investment income	-	584	584	-
Total revenues	<u>70,000</u>	<u>75,949</u>	<u>5,949</u>	<u>70,263</u>
Expenditures - public safety - major equipment	-	4,094	(4,094)	87,657
Excess (deficiency) of revenues over expenditures	<u>70,000</u>	71,855	<u>1,855</u>	(17,394)
Fund balance at beginning of year		<u>7,751</u>		<u>25,145</u>
Fund balance at end of year		<u>\$ 79,606</u>		<u>7,751</u>

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

<i>Years Ended June 30,</i>	<u>Budget</u>	2014 <u>Actual</u>	<u>Variance</u>	2013 <u>Actual</u>
Revenues - investment income	\$ -	52	52	-
Expenditures - public safety:				-
Travel	<u>7,700</u>	<u>3,015</u>	<u>4,685</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	\$ <u><u>(7,700)</u></u>	(2,963)	<u>4,737</u>	-
Fund balance at beginning of year		<u>9,035</u>		<u>9,035</u>
Fund balance at end of year		\$ <u><u>6,072</u></u>		<u><u>9,035</u></u>

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

Year Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal sources:				
Nutrition, transportation and support services	\$ 138,100	94,177	(43,923)	94,448
State of Alaska:				
Nutrition, transportation and support services	-	44,850	44,850	44,850
State PERS relief	13,988	17,549	3,561	19,290
Local sources:				
Lease and rental income	28,400	30,087	1,687	12,204
Other	20,100	19,919	(181)	16,991
Total revenues	<u>200,588</u>	<u>206,582</u>	<u>5,994</u>	<u>187,783</u>
Expenditures:				
Nutrition, transportation, and support services:				
Salaries	59,285	60,073	(788)	58,600
Employee benefits	38,829	37,327	1,502	47,850
Contract labor	-	8,708	(8,708)	-
Insurance	2,000	2,000	-	2,000
Food	13,201	18,128	(4,927)	-
Supplies	500	533	(33)	15,998
Gas, oil, and grease	13,345	3,181	10,164	3,000
Utilities and telephone	5,940	5,940	-	505
Minor tools and equipment	1,000	1,000	-	-
Building and equipment repairs	-	-	-	1,000
Professional fees and services	-	-	-	10,345
Admin overhead	-	2,137	(2,137)	-
Total nutrition, transportation, and support services	<u>134,100</u>	<u>139,027</u>	<u>(4,927)</u>	<u>139,298</u>
Senior center - operations:				
Salaries	77,009	70,642	6,367	76,078
Employee benefits	65,812	59,389	6,423	75,914
Food	16,799	11,082	5,717	-
Minor tools and equipment	250	72	178	-
Inspections	2,166	1,510	656	-
Insurance	8,000	8,000	-	7,060
Travel and training	-	-	-	175
Supplies	1,450	2,374	(924)	26,600
Gas, oil, and grease	5,000	7,229	(2,229)	5,712
Building and equipment repairs	8,100	14,986	(6,886)	10,866
Utilities and telephone	27,560	35,595	(8,035)	37,766
Miscellaneous	-	-	-	3,318
Administrative overhead	66,944	80,216	(13,272)	76,559
Total senior center - operations	<u>279,090</u>	<u>291,095</u>	<u>(12,005)</u>	<u>320,048</u>
Total expenditures	<u>413,190</u>	<u>430,122</u>	<u>(16,932)</u>	<u>459,346</u>
Excess (deficiency) of revenues over expenditures	(212,602)	(223,540)	(10,938)	(271,563)
Other financing sources - transfers in	<u>212,602</u>	<u>223,540</u>	<u>10,938</u>	<u>271,563</u>
Net change in fund balance	\$ <u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ <u>-</u>		<u>-</u>

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

<i>Years Ended June 30,</i>	<u>2014</u>	<u>2013</u>
Revenues - intergovernmental - federal sources	\$ <u>115,198</u>	<u>-</u>
Expenditures:		
Public safety:		
Advertising	407	-
Major equipment	<u>114,791</u>	<u>-</u>
Total expenditures	<u>115,198</u>	<u>-</u>
Excess of revenues over expenditures	-	-
Other financing sources - transfers in	<u>-</u>	<u>8,573</u>
Net change in fund balance	-	8,573
Fund balance (deficit) at beginning of year	<u>-</u>	<u>(8,573)</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>

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

Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental:			
Federal	\$ 10,212	\$ 15,764	\$ 5,552
State of Alaska	6,600	7,588	988
Local assistance	<u>36,681</u>	<u>36,680</u>	<u>(1)</u>
Total revenues	<u>53,493</u>	<u>60,032</u>	<u>6,539</u>
Expenditures:			
Community services:			
Salaries	2,000	8,243	(6,243)
Employee benefits	780	1,301	(521)
Travel and training	3,000	3,988	(988)
Audio visual	2,360	2,360	-
Internet	37,893	36,680	1,213
Summer reading program	2,500	2,000	500
Books	<u>4,960</u>	<u>5,460</u>	<u>(500)</u>
Total expenditures	<u>53,493</u>	<u>60,032</u>	<u>(6,539)</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>
Fund balance at beginning of year		<u>-</u>	
Fund balance at end of year		\$ <u>-</u>	

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

Year Ended June 30, 2014

Revenues:		
Intergovernmental -		
Federal sources	\$	<u>670</u>
Expenditures:		
Public safety:		
Overtime salaries		586
Gas oil grease		<u>84</u>
Total expenditures		<u>670</u>
Excess of revenues over expenditures		-
Fund balance at beginning of year		<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

Year Ended June 30, 2014

Revenues:		
Local assistance	\$	5,607
Expenditures:		
Community services:		
Salaries		4,898
Overtime salaries		475
Employee benefits		234
Total expenditures		5,607
Excess of revenues over expenditures		-
Fund balance at beginning of year		-
Fund balance at end of year	\$	-

Debt Service Fund

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

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

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State of Alaska	\$ 824,488	823,049	(1,439)	822,009
Expenditures:				
Principal	600,000	600,000	-	570,000
Interest	576,090	576,090	-	604,590
Total expenditures	1,176,090	1,176,090	-	1,174,590
Excess (deficiency) of revenues over expenditures	(351,602)	(353,041)	(1,439)	(352,581)
Other financing sources - transfers in	351,602	353,041	1,439	352,581
Net change in fund balance	\$ -	-	-	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ -		-

Capital Project Funds

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

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

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

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

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

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

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

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

Library Roof – this fund accounts for library roof repairs

Water System Improvements – this fund accounts for capital grants associated with Water System Improvements

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

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

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

<i>Years Ended June 30,</i>	<u>2014</u>	<u>2013</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ 80,528	94,973
Local sources - other	-	5,420
Total revenues	<u>80,528</u>	<u>100,393</u>
Expenditures - capital outlay:		
North bulkhead	80,528	94,973
Other projects	-	5,420
Total expenditures	<u>80,528</u>	<u>100,393</u>
Excess of revenues over expenditures	-	-
Other financing uses - transfers out	<u>-</u>	<u>(137,083)</u>
Net change in fund balance	-	(137,083)
Fund balance (deficit) at beginning of year	<u>(155,469)</u>	<u>(18,386)</u>
Fund balance (deficit) at end of year	<u><u>\$ (155,469)</u></u>	<u><u>(155,469)</u></u>

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

<i>Years Ended June 30,</i>	<u>2014</u>	<u>2013</u>
Revenues:		
Intergovernmental -		
State of Alaska	\$ <u>61,643</u>	<u>1,462,485</u>
Expenditures - capital outlay - force main	<u>46,504</u>	<u>1,462,485</u>
Excess of revenues over expenditures	15,139	-
Other financing sources - transfers in	<u>-</u>	<u>137,083</u>
Net change in fund balance	15,139	137,083
Fund balance (deficit) at beginning of year	<u>(15,139)</u>	<u>(152,222)</u>
Fund balance (deficit) at end of year	\$ <u><u>-</u></u>	<u><u>(15,139)</u></u>

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

<i>Years Ended June 30,</i>	<u>2014</u>	<u>2013</u>
Revenues - investment income	\$ 785	298
Expenditures - capital outlay - school building projects	<u>36,118</u>	<u>281,722</u>
Excess (deficiency) of revenues over expenditures	(35,333)	(281,424)
Fund balance at beginning of year	<u>112,096</u>	<u>393,520</u>
Fund balance at end of year	\$ <u><u>76,763</u></u>	<u><u>112,096</u></u>

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

Year Ended June 30, 2014

Revenues:	
Intergovernmental -	
State of Alaska	\$ -
Total revenues	<u>-</u>
Expenditures - capital outlay - equipment	<u>836,862</u>
Excess (deficiency) of revenues under expenditures	(836,862)
Other financing sources - transfers in	<u>901,000</u>
Net change in fund balance	64,138
Fund balance at beginning of year	<u>57,036</u>
Fund balance at end of year	<u><u>\$ 121,174</u></u>

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

<i>Years Ended June 30,</i>	<u>2014</u>	<u>2013</u>
Local sources - other	\$ 33,056	-
Expenditures - capital outlay - ambulance	<u>360</u>	<u>-</u>
Excess of revenues over expenditures	<u>32,696</u>	<u>-</u>
Other financing sources (uses):		
Transfer in	44,691	65,735
Transfer out	<u>(35)</u>	<u>-</u>
Net other financing sources (uses)	44,656	65,735
Net change in fund balance	77,352	65,735
Fund balance at beginning of year	<u>564,593</u>	<u>498,858</u>
Fund balance at end of year	<u>\$ 641,945</u>	<u>564,593</u>

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

<i>Years Ended June 30, 2014</i>	<u>2014</u>	<u>2013</u>
Revenues	\$ -	-
Expenditures - capital outlay - planning	<u>16,256</u>	<u>-</u>
Excess (deficiency) revenues over expenditures	(16,256)	-
Other financing sources - transfer in	<u>20,000</u>	<u>20,000</u>
Net change in fund balance	3,744	20,000
Fund balance at beginning of year	<u>20,000</u>	<u>-</u>
Fund balance at end of year	<u>\$ 23,744</u>	<u>20,000</u>

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

<i>Years Ended June 30, 2014</i>	<u>2014</u>	<u>2013</u>
Revenues - Intergovernmental - State of Alaska	\$ 159,483	6,474
Expenditures- capital outlay - library	<u>159,483</u>	<u>6,474</u>
Excess 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
 Water System Improvements Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)

<i>Years Ended June 30,</i>	<u>2014</u>	<u>2013</u>
Revenues:		
Intergovernmental:		
Federal sources	\$ 9,769	12,209
State of Alaska	<u>3,256</u>	<u>4,070</u>
Total revenues	<u>13,025</u>	<u>16,279</u>
Expenditures - capital outlay - well and other system improvements	<u>13,023</u>	<u>23,255</u>
Excess (deficiency) of revenues under expenditures	2	(6,976)
Other financing sources - transfers in	<u>66,164</u>	<u>6,976</u>
Net change in fund balance	66,166	-
Fund balance (deficit) at beginning of year	<u>(66,166)</u>	<u>(66,166)</u>
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>(66,166)</u>

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

Year Ended June 30, 2014

Revenues:		
Intergovernmental:		
Federal sources	\$	1,417
State of Alaska		17,327
Total revenues		<u>18,744</u>
Expenditures - capital outlay - Public Safety		<u>18,779</u>
Excess (deficiency) of revenues under expenditures		(35)
Other financing sources - transfers in		<u>35</u>
Net change in fund balance		-
Fund balance at beginning of year		<u>-</u>
Fund balance at end of year	\$	<u><u>-</u></u>

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

Year Ended June 30, 2014

Revenues:		
Grant revenue - local assistance	\$	213,008
Total revenues		213,008
Expenditures - capital outlay		213,008
Excess of revenues under expenditures		-
Fund balance at beginning of year		-
Fund balance at end of year	\$	-

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>2014</u>	<u>2013</u>
Revenues - investment income (loss)	\$ <u>3,643</u>	<u>(237)</u>
Expenditures:		
Utilities	3,395	5,378
Administrative overhead	956	1,241
Building repairs	-	-
Insurance	<u>830</u>	<u>830</u>
Total expenditures	<u>5,181</u>	<u>7,449</u>
Excess (deficiency) of revenues over expenditures	(1,538)	(7,686)
Fund balance at beginning of year	<u>389,699</u>	<u>397,385</u>
Fund balance at end of year	\$ <u><u>388,161</u></u>	<u><u>389,699</u></u>

CITY OF DILLINGHAM, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expenditures
DEPARTMENT OF COMMERCE				
Passed through State of Alaska Department of Education and Early Development:				
Alaska OWL Project - Internet Technology Aide	02-42-B10560	11.557	\$ 7,280	\$ 6,764
DEPARTMENT OF THE INTERIOR				
Passed through State of Alaska Department of Commerce, Community and Economic Development:				
Payment in Lieu of Taxes	none	15.226	422,987	422,987
DEPARTMENT OF JUSTICE				
Direct:				
Bulletproof Vest Partnership	none	16.607	1,122	755
DEPARTMENT OF TRANSPORTATION				
Passed through State of Alaska Department of Transportation and Public Facilities:				
Click It or Ticket Enforcement	402PT-14-06-00(A)-3	20.600	1,148	670
DEPARTMENT OF MUSEUM AND LIBRARY SERVICES				
Passed through Curyung Tribal Council:				
Native American Library Services Basic Grant	NG-05-12-0110-12	45.311	7,000	7,000
Passed through State of Alaska Department of Education and Early Development:				
Alaska State Library- Continuing Education	none	45.310	1,000	1,000
Alaska State Library- Continuing Education	none	45.310	1,000	1,000
Total CFDA #45.310			2,000	2,000
Total Department of Museum and Library Services			9,000	9,000
ENVIRONMENTAL PROTECTION AGENCY				
Passed through State of Alaska Department of Environmental Conservation:				
Water System Improvement (75% Federal)	28305	66.202	4,543,000	9,769
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State of Alaska Department of Health and Social Services:				
Nutrition, Transportation and Support Service	607-14-108	93.044	36,250	36,250
Nutrition, Transportation and Support Service	607-14-108	93.045	53,000	53,000
Nutrition Services Incentive Program	607-14-106	93.053	4,927	4,927
Total Aging Cluster			94,177	94,177
DEPARTMENT OF HOMELAND SECURITY				
Direct:				
Assistance to Firefighters- Vehicle Acquisition Program	EMW-2012-FV-03840	97.044	384,750	662
Passed through State of Alaska Department of Commerce, Community and Economic Development:				
Travel and Training Grant	none	97.023	3,598	3,598
Passed through State of Alaska Division of Homeland Security and Emergency Management:				
State Homeland Security Program	EMW-2013-SS-00098	97.067	118,885	115,198
Total Department of Homeland Security			507,233	119,458
Total Expenditures of Federal Awards			\$ 5,585,947	\$ 663,580

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of City of Dillingham and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133.

CITY OF DILLINGHAM, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2014

	Grant Number	Total Grant Award	State Share of Expenditures
DEPARTMENT OF ADMINISTRATION			
Direct Programs:			
* State PERS Relief	none	\$ 402,279	\$ 402,279
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT			
Direct Programs:			
* Debt Service - School Bonds	none	823,049	823,049
Public Library Assistance	none	6,600	6,600
OWL Training	none	988	988
Total Department of Education and Early Development		<u>830,637</u>	<u>830,637</u>
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT			
Direct Programs:			
* State Revenue Sharing	none	210,963	210,963
* City Shoreline Emergency Bank Stabilization	09-DC-449	1,500,000	80,528
Snag Point Sewer Line Emergency Relocation	12-DC-343	1,800,000	61,643
* Dillingham Library and Museum Building Roof Repairs	13-DC-317	250,900	159,483
* Wastewater Treatment Plant Upgrades	13-DC-516	2,280,000	1,652,157
E911 Critical System Upgrade	14-DC-046	200,000	407
* Landfill Regulatory Compliance Improvements	14-DC-047	1,900,000	511,792
Total Department of Commerce, Community and Economic Development		<u>8,141,863</u>	<u>2,676,973</u>
DEPARTMENT OF REVENUE			
Direct Programs:			
Fisheries Business Tax	none	28,769	28,769
* Raw Fish Tax	none	276,513	276,513
* Electric and Telephone Co-op Tax	none	77,393	77,393
Liquor Licenses	none	4,600	4,600
Motor Vehicle Tax	none	28,376	28,376
Total Department of Revenue		<u>415,651</u>	<u>415,651</u>
DEPARTMENT OF ENVIRONMENTAL CONSERVATION			
Direct Programs:			
Landfill Project Phase III	20803	1,672,825	58,534
Water System Improvements (25% State)	20805	1,135,750	3,256
		<u>2,808,575</u>	<u>61,790</u>
DEPARTMENT OF HEALTH AND SOCIAL SERVICES			
Direct Programs:			
Nutrition, Transportation and Support Services	607-14-108	44,850	44,850
DEPARTMENT OF CORRECTIONS			
Direct Programs:			
Regional and Community Jails Program Capital Projects	none	20,000	16,920
Total State Financial Assistance		<u>\$ 12,663,855</u>	<u>\$ 4,449,100</u>

* Major Program

Basis of Presentation

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

COMPLIANCE REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

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

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska as of and for the year ended June 30, 2014, 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 February 9, 2015.

Internal Control over Financial Reporting

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

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

Honorable Mayor and City Council
City of Dillingham, Alaska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Anchorage, Alaska
February 9, 2015

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Dillingham, Alaska's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. The City of Dillingham, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

The City of Dillingham, Alaska's basic financial statements include the operations of its component unit, Dillingham City School District, which received \$1,721,434 in federal awards which is not included in the schedule during the year ended June 30, 2014. Our audit described below, did not include the operations of Dillingham City School District because it was subjected to a separate audit in accordance with *OMB Circular A-133*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Honorable Mayor and City Council
City of Dillingham, Alaska

Opinion on Each Major Federal Program

In our opinion, the City of Dillingham, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Dillingham, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dillingham, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dillingham, Alaska's internal control over compliance.

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

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

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

Altman, Rogers & Co.

Anchorage, Alaska
February 9, 2015

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unmodified

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

Internal control over financial reporting:
Significant deficiency(ies) identified? Yes No
Material weakness(es) identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Significant deficiency(ies) identified (Section .510 (a)(1))? Yes No
Material weakness(es) identified (Section .510 (a)(1))? Yes No

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes No

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

The City of Dillingham, Alaska did not have any Findings that relate to federal awards.

Section IV – Summary of Prior Audit Findings

Finding 2013-001
Material Weakness

Year End General Ledger Reconciliation

Condition:

There were significant adjustments made to the general ledger at the City during the course of the audit, which resulted in a significant change in net income. Adjustments were made to revenue, capital assets and accounts payable.

Status:

This finding has been resolved.

Finding 2013-002
Material Weakness

Grants Reconciliation/Grants Management

Condition:

There were significant adjustments made to many grants during the course of the audit, which resulted in a significant change in net income. Adjustments were made to revenue, accounts receivable unearned revenue, expenditures and accounts payable.

Status:

This finding has been resolved.

Schedule of Findings and Questioned Costs, Continued

Finding 2013-003
Material Weakness

Internal Equipment Use Overtime Rates

Condition:

The City has established an internal rental rate for heavy equipment. The rate structure includes a straight time rate and an overtime rate. The rate applied is tied to the payroll status of the person operating the equipment. When the individual is on an overtime status (e.g. over 8 hours per day or over 40 hours per week), then equipment is also charged at the overtime rate.

The City adopted the current equipment rate structure through a formal Council review and approval process on the recommendation of the public works department. The concept of a straight time rate and an overtime rate might make sense in certain circumstances; for example, if the equipment was used for 12 hours straight, the last 4 hours might run hotter than the first 8. However, on application of the rule, the overtime rate is not applied to the equipment use; rather it is tied to the person operating the equipment. As another example, the equipment use charge on a Saturday costs 89% higher than the same equipment use charge on a Monday, without regard to when the equipment was used previously, solely based on the status of the employee who is on overtime on Saturday. The grant is also paying the overtime wage-rate for the Saturday work. Because this rate structure is unique, we called the granting agency directly to ask for clarification. After speaking with 3 different individuals, it became clear that there is no definitive guideline in this area.

Status:

This finding has been resolved.

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Dillingham, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2014. The City of Dillingham, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

The City of Dillingham, Alaska's basic financial statements include the operations of its component unit, Dillingham City School District, which received \$9,571,704 in state awards which is not included in the schedule during the year ended June 30, 2014. Our audit, described below, did not include the operations of Dillingham School District because it was subjected to a separate audit in accordance with the Guide.

Management's Responsibility

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

Auditor's Responsibility

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

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

Honorable Mayor and City Council
City of Dillingham, Alaska

Opinion on Each Major State Program

In our opinion, the City of Dillingham, Alaska complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City of Dillingham, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dillingham, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dillingham, Alaska's internal control over compliance.

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

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

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



Anchorage, Alaska
February 9, 2015

CITY OF DILLINGHAM, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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 No
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 No
Material weakness(es) identified? Yes X No

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

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

Section II – Financial Statement Findings

See Federal Schedule of Findings and Questioned Costs.

Section III – State Award Findings and Questioned Costs

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

State Schedule of Findings and Questioned Costs, continued

Section IV – Prior Year Audit Findings

Finding 2013-002 Material Weakness	<u>Department of Commerce, Community and Economic Development</u> <u>12-DC-343 Snag Point Sand Live Relocation</u> <u>13-DC-516 Wastewater Treatment Plant</u> <u>09-DC-449 City Shoreline Emergency Bank Stabilization</u>
---	--

Condition: There were significant adjustments made to many grants during the course of the audit, which resulted in a significant change in net income. Adjustments were made to revenue, accounts receivable unearned revenue, expenditures and accounts payable.

Status: This finding has been resolved.

Finding 2013-003 Material Weakness	<u>Internal Equipment Use Overtime Rates</u> Department of Commerce, Community and Economic Development <u>09-DC-449 City Shoreline Emergency Bank Stabilization</u>
---	---

Condition: The City has established an internal rental rate for heavy equipment. The rate structure includes a straight time rate and an overtime rate. The rate applied is tied to the payroll status of the person operating the equipment. When the individual is on an overtime status (e.g. over 8 hours per day or over 40 hours per week), then equipment is also charged at the overtime rate.

The City adopted the current equipment rate structure through a formal Council review and approval process on the recommendation of the public works department. The concept of a straight time rate and an overtime rate might make sense in certain circumstances; for example, if the equipment was used for 12 hours straight, the last 4 hours might run hotter than the first 8. However, on application of the rule, the overtime rate is not applied to the equipment use; rather it is tied to the person operating the equipment. As another example, the equipment use charge on a Saturday costs 89% higher than the same equipment use charge on a Monday, without regard to when the equipment was used previously, solely based on the status of the employee who is on overtime on Saturday. The grant is also paying the overtime wage-rate for the Saturday work. Because this rate structure is unique, we called the granting agency directly to ask for clarification. After speaking with 3 different individuals, it became clear that there is no definitive guideline in this area.

Some charges to the grant may be unreasonable based on the overvaluation of the rate applied.

Status: This finding has been resolved.