

CITY OF DILLINGHAM, ALASKA

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

Year Ended June 30, 2017

CITY OF DILLINGHAM, ALASKA

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Analysis, Required Supplementary Information, Additional
Supplementary Information, and Compliance Reports

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CITY OF DILLINGHAM, ALASKA

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City of Dillingham, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska, as of June 30, 2017, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund, and Dock Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 and the Public Employees' Retirement system Schedules on pages 45-46 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 and the schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of state financial assistance is presented as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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.

Honorable Mayor and City Council
City of Dillingham, Alaska

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Dillingham, Alaska basic financial statements for the year ended June 30, 2016 (not presented herein) and have issued our reported dated March 8, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dillingham, Alaska's basic financial statements as a whole. The combining statements and schedules, individual major and non-major funds budget to actual schedules for the year ended June 30, 2016, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2016 combining statements and schedules, individual major and non-major funds budget to actuals are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the City of Dillingham, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dillingham, Alaska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dillingham, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
March 29, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis
Year Ended June 30, 2017

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, 2017 with comparable information presented for the year ended June 30, 2016. This discussion and analysis should be read in conjunction with the City's financial statements.

Financial Highlights for 2017

- In total, net position exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$39,569,585. Of this amount, \$564,297 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position decreased by \$1,197,826 in 2017.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,803,579, which is a decrease of \$1,036,176 from the prior year, \$3,233,468 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2017, unassigned fund balance for the General Fund was \$3,234,503 or 49% of total General Fund expenditures.

Financial Highlights for 2016

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

Overview of the Financial Statements

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

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

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

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

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dillingham, Alaska, assets exceeded liabilities by \$39,569,585 at the close of FY2017, 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 (97%) 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>2017</u>	<u>2016</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Current and other assets	\$ 6,989,856	8,273,881
Long-term and capital assets	49,840,399	49,559,579
Deferred outflows of resources	1,175,385	1,119,267
Total assets and deferred outflows of resources	<u>58,005,640</u>	<u>58,952,727</u>
Current liabilities	759,795	913,386
Long-term liabilities	17,611,516	17,186,797
Deferred inflows of resources	64,744	85,133
Total liabilities and deferred inflows of resources	<u>18,436,055</u>	<u>18,185,316</u>
Net position		
Net investment in capital assets	38,273,556	37,477,338
Restricted	731,732	746,102
Unrestricted	564,297	2,543,971
Total net position	<u>\$ 39,569,585</u>	<u>40,767,411</u>

The majority of net position is restricted for capital assets, net of debt (97% in 2017 and 92% in 2016). A small portion of the City's net position (2% in 2017 and 2% in 2016), represent resources that are subject to external restrictions on how they may be used. Such restrictions are for the restricted assets for Mary Carlson Estate Permanent Fund, Enhanced 911, Asset Forfeitures, Landfill, Dillingham Police Department Reward, School Bonds, and Local Support. The remaining balance of unrestricted net position of \$564,297 in 2017 and \$2,543,971 in 2016 may be used to meet the government's ongoing obligation to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for government as a whole, and for its separate governmental activities.

The governmental activities total net position decreased by \$1,197,826 in 2017. In 2016, total net position decreased by \$524,594.

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.

	<u>Change in Net Position</u>	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,484,642	2,995,939
Operating grants and contributions	575,377	568,035
Capital grants and contributions	2,093,991	2,057,176
General revenues:		
Taxes:		
Sales taxes	2,878,248	3,081,594
Real and personal property taxes	2,279,164	2,496,326
Gaming taxes	78,546	118,382
Payment in lieu of taxes	447,193	446,955
Grants and entitlements not restricted to a Specific purpose	437,934	947,459
Investment income	3,251	76,304
Other	155,562	354,628
Total revenues	\$ 11,433,908	13,142,798
Expenses:		
General government	2,008,611	2,128,092
Public safety	2,933,241	2,956,338
Public works	1,562,025	1,659,913
Community services	312,945	350,769
Water and sewer	948,804	1,181,663
Landfill	787,845	1,298,720
Dock	935,539	1,104,993
Boat Harbor	383,838	216,511
Senior citizen center	281,556	408,399
Education	1,981,684	1,847,404
Interest on long-term debt	495,646	514,590
Total expenses	12,631,734	13,667,392
Increase (decrease) in net position	(1,197,826)	(524,594)
Net position at beginning of year	40,767,411	41,292,005
Net position at end of year	\$ 39,569,585	40,767,411

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

Governmental Activities

General revenues accounted for most of the City's revenues at 55%, charges for services contributing 22%, operating grants and contributions contributing 5% and capital grant and contributions contributing 18%.

A detail of expenses for governmental activities is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Expense</u>	<u>Percentage</u>	<u>Expense</u>	<u>Percentage</u>
Function:				
General government	\$ 2,008,611	16%	2,128,092	16%
Public safety	2,933,241	23%	2,956,338	22%
Public works	1,562,025	12%	1,659,913	12%
Community services	312,945	2%	350,769	2%
Water and sewer	948,804	9%	1,181,663	9%
Landfill	787,845	6%	1,298,720	9%
Dock	935,539	7%	1,104,993	8%
Boat Harbor	383,838	3%	216,511	2%
Senior citizen center	281,556	2%	408,399	3%
Education	1,981,684	16%	1,847,404	13%
Interest on long-term debt	495,646	4%	514,590	4%
Total	\$ <u>12,631,734</u>	<u>100%</u>	<u>13,667,392</u>	<u>100%</u>

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At June 30, 2017 the City's governmental funds reported combined ending fund balances of \$5,803,579, a decrease of \$1,036,176 from the prior year. Of this amount \$2,570,111 is non-spendable, restricted, committed, or assigned for specific purposes. \$3,233,468 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2017 and 2016 the unassigned fund balance of the General Fund was \$3,234,503 and \$4,125,240, respectively, which is 90% and 90% 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 49% of total General Fund expenditures at June 30, 2017 and 59% as of 2016.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

The fund balance of the City's General Fund decreased by \$968,877 in 2017 compared to a decrease of \$153,682 in 2016.

General Fund Budgetary Highlights

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

- Increase in federal sources of \$16,018;
- Decrease in State of Alaska funding of \$200,326;
- Overall appropriations decreased by \$31,040.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental-type activities as of June 30, 2017 amounts to \$49,840,399 (net of accumulated depreciation), an increase of \$280,820 over last year. This investment in capital assets includes land, buildings, machinery, and equipment, and Improvements other than buildings.

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

- Construction of \$1,909,220
- Machinery and Equipment additions of \$453,848.

		<u>2017</u>	<u>2016</u>
Governmental Activities			
(Net of Accumulated Depreciation)			
Land	\$	4,862,446	4,862,446
Construction in progress		7,335,020	5,425,800
Buildings		15,913,533	16,591,527
Machinery and equipment		5,220,805	5,253,539
Improvement other than buildings		16,508,595	17,426,267
Total capital assets	\$	<u>49,840,399</u>	<u>49,559,579</u>

Additional information on the City's capital assets can be found in note 4 on pages 28 through 29 of this report.

Long-Term Debt – At the end of the current fiscal year, the City of Dillingham, Alaska had total bonded debt outstanding of \$10,407,916. This entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, loans, compensated absences and landfill closure and post-closure costs.

CITY OF DILLINGHAM, ALASKA
Management Discussion and Analysis, Continued

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

	Governmental Activities	
	2017	2016
General obligation bonds, including premium	\$ 10,407,916	10,817,413
Public works – grader	-	6,195
Public works – vehicle	8,460	16,408
Public safety vehicle leases (2013)	13,419	26,085
Public safety vehicle lease (2015)	13,154	19,140
Public safety vehicle lease (2017)	57,686	-
Dock crane lease	1,066,208	1,197,000
Net pension liability	5,808,346	4,808,667
Accrued leave (net)	162,887	171,779
Estimated landfill closure costs	73,440	124,110
	<u>\$ 17,611,516</u>	<u>17,186,797</u>

The City of Dillingham, Alaska’s total debt increased by \$424,719 during the current fiscal year.

Additional information on the City of Dillingham, Alaska’s long-term debt can be found in note 6 on page 30 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate hovers around 7.24% 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 FY18 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, 2017

	Primary Government	Component Unit
<u>Assets and Deferred Outflows of Resources</u>	<u>Governmental Activities</u>	<u>Dillingham City School District</u>
Assets:		
Current:		
Cash and investments	\$ 4,229,902	1,952,222
Receivables, net	1,891,855	267,332
Restricted cash and investments	467,419	-
Inventory	-	12,672
Prepaid items	400,680	91,972
Total current	<u>6,989,856</u>	<u>2,324,198</u>
Noncurrent:		
Land and construction in progress	12,197,466	-
Other capital assets, net of accumulated depreciation	37,642,933	283,447
Total noncurrent	<u>49,840,399</u>	<u>283,447</u>
Deferred outflows of resources:		
Related to bond refunding	168,508	-
Pension deferrals	1,006,877	1,578,657
Total deferred outflow	<u>1,175,385</u>	<u>1,578,657</u>
Total assets and deferred outflows of resources	<u>58,005,640</u>	<u>4,186,302</u>
 <u>Liabilities, Deferred Inflows of Resources, and Net Position</u>		
Liabilities:		
Current:		
Accounts payable	563,054	-
Accrued payroll and related liabilities	172,408	12,617
Due to student groups	-	142,626
Unearned revenue	24,333	58,944
Total current	<u>759,795</u>	<u>214,187</u>
Non-current:		
Due within one year:		
Accrued leave	162,887	-
Bonds	850,792	-
Capital leases	149,046	-
Due in more than one year:		
Net pension liability	5,808,346	7,830,322
Bonds	9,557,124	-
Capital leases	1,009,881	-
Landfill closure costs	73,440	-
Total non-current	<u>17,611,516</u>	<u>7,830,322</u>
Deferred inflows of resources - pension deferrals	<u>64,744</u>	<u>592,689</u>
Total liabilities and deferred inflows of resources	<u>18,436,055</u>	<u>8,637,198</u>
 Net position:		
Net investment in capital assets	38,273,556	283,447
Restricted:		
Mary Carlson Estate	344,550	-
Enhanced 911	201,096	-
Asset forfeitures	11,034	-
Landfill	172,044	-
Dillingham Police Department	400	-
School Bonds	315	-
Local support	2,293	-
Unrestricted	564,297	(4,734,343)
Total net position	<u>\$ 39,569,585</u>	<u>(4,450,896)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 58,005,640</u>	<u>4,186,302</u>

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

CITY OF DILLINGHAM, ALASKA

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Total Activities	Unit Dillingham City School District
Primary government:						
Governmental:						
General government	\$ 2,008,611	914,934	20,358	-	(1,073,319)	-
Public safety	2,933,241	74,882	99,462	4,993	(2,753,904)	-
Public works	1,562,025	-	10,847	1,417,763	(133,415)	-
Community services	312,945	-	168,375	12,175	(132,395)	-
Water and sewer	948,804	539,537	5,425	-	(403,842)	-
Landfill	787,845	123,208	7,254	-	(657,383)	-
Dock	935,539	689,597	5,441	-	(240,501)	-
Boat harbor	383,838	112,116	2,244	-	(269,478)	-
Senior citizen center	281,556	30,368	255,971	-	4,783	-
Education	1,981,684	-	-	659,060	(1,322,624)	-
Unallocated interest	495,646	-	-	-	(495,646)	-
Total governmental activities	\$ <u>12,631,734</u>	<u>2,484,642</u>	<u>575,377</u>	<u>2,093,991</u>	<u>(7,477,724)</u>	<u>-</u>
Component Unit - school district - Education	\$ <u>13,076,161</u>	<u>29,356</u>	<u>3,035,252</u>	<u>-</u>	-	(10,011,553)
General revenues:						
Taxes:						
Sales and other taxes				\$ 2,878,248		-
Real and personal property taxes				2,279,164		-
Gaming taxes				78,546		-
Payment in lieu of taxes				447,193		-
Contributions from primary government				-		1,300,000
Grants and entitlements not restricted to a specific purpose				437,934		7,026,346
Investment income				3,251		151
E-Rate				-		980,995
Other				<u>155,562</u>		<u>61,477</u>
Total general revenues				<u>6,279,898</u>		<u>9,368,969</u>
Change in net position					(1,197,826)	(642,584)
Net position at beginning of year					<u>40,767,411</u>	<u>(3,808,312)</u>
Net position at end of year					\$ <u>39,569,585</u>	<u>(4,450,896)</u>

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

CITY OF DILLINGHAM, ALASKA

Balance Sheet - Governmental Funds

June 30, 2017

<u>Assets</u>	<u>General Fund</u>	<u>Dock Special Revenue Fund</u>	<u>Wastewater Treatment Plant Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 4,229,192	-	-	710	4,229,902
Receivables, net of allowance of uncollectible accounts					
Sales taxes	511,306	-	-	-	511,306
Real and personal property taxes	208,918	-	-	-	208,918
Accounts	40,455	91,436	-	322,341	454,232
Grants and shared revenues	-	-	469,723	247,676	717,399
Prepaid items	368,324	32,356	-	-	400,680
Due from other funds	832,761	728,322	-	1,285,428	2,846,511
Restricted cash and investments	-	-	-	467,419	467,419
Total assets	\$ 6,190,956	852,114	469,723	2,323,574	9,836,367
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 129,831	33,629	44,996	354,598	563,054
Accrued payroll and payroll liabilities	123,410	17,308	636	31,054	172,408
Due to other funds	2,013,750	-	424,091	408,670	2,846,511
Unearned revenue	-	-	-	24,333	24,333
Total liabilities	<u>2,266,991</u>	<u>50,937</u>	<u>469,723</u>	<u>818,655</u>	<u>3,606,306</u>
Deferred inflows of resources - delinquent property taxes and user fees	<u>321,138</u>	<u>10,483</u>	<u>-</u>	<u>94,861</u>	<u>426,482</u>
Total liabilities and deferred inflows of resources	<u>2,588,129</u>	<u>61,420</u>	<u>469,723</u>	<u>913,516</u>	<u>4,032,788</u>
Fund Balances:					
Nonspendable	368,324	32,356	-	-	400,680
Restricted	-	-	-	731,732	731,732
Committed	-	-	-	609,832	609,832
Assigned	-	758,338	-	69,529	827,867
Unassigned	3,234,503	-	-	(1,035)	3,233,468
Total fund balances	<u>3,602,827</u>	<u>790,694</u>	<u>-</u>	<u>1,410,058</u>	<u>5,803,579</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 6,190,956	852,114	469,723	2,323,574	9,836,367

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, 2017

Total fund balances for governmental funds		\$	5,803,579
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	7,335,020		
Buildings	24,606,898		
Improvements other than buildings	30,188,093		
Machinery and equipment	9,801,389		
Total capital assets	76,793,846		
Less accumulated depreciation	(26,953,447)		
Total capital assets, net of accumulated depreciation			49,840,399
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. This is the amount of delinquent real property taxes and user receivables			
			426,482
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	(9,150,000)		
Unamortized bond premium	(1,257,916)		
Capital leases	(1,158,927)		
Accrued leave	(162,887)		
Landfill closure costs	(73,440)		
Total long-term liabilities			(11,803,170)
Proportionate share of the collective net pension liability:			
PERS			(5,808,346)
Deferred inflows and outflows of resources are the results of timing differences in the actuarial report.			
Pension related assets in the current fiscal year are presented as deferred outflows of resources:			
PERS			1,006,877
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources:			
PERS			(64,744)
Deferred outflows of resources related to bond refundings are not deemed available to pay current period expenditures and therefore are not reported as governmental fund assets.			
			168,508
Total net position of governmental activities		\$	<u>39,569,585</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, 2017

	General Fund	Dock Special Revenue Fund	Wastewater System Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
Federal sources	\$ 446,018	-	85,237	100,330	631,585
State of Alaska	541,734	8,017	1,142,478	956,229	2,648,458
Bristol Bay Housing Authority	1,175	-	-	-	1,175
Local sources:					
Taxes	5,235,958	-	-	-	5,235,958
Local assistance	-	-	100,000	205,476	305,476
Charges for services	830,451	689,597	-	829,640	2,349,688
Licenses and permits	19,299	-	-	-	19,299
Fines and forfeitures	9,635	-	-	-	9,635
Lease and rental income	55,549	-	-	50,471	106,020
Asset forfeiture	-	-	-	9,146	9,146
Investment income	2,343	585	-	323	3,251
Other	94,367	42,180	-	104,127	240,674
Total revenues	<u>7,236,529</u>	<u>740,379</u>	<u>1,327,715</u>	<u>2,255,742</u>	<u>11,560,365</u>
Expenditures:					
Current:					
General government	1,725,605	-	-	-	1,725,605
Public safety	2,331,851	-	-	57,714	2,389,565
Public works	1,187,808	-	-	-	1,187,808
Community services	87,673	-	-	217,634	305,307
Water and sewer	-	-	-	816,712	816,712
Landfill	-	-	-	714,499	714,499
Dock	-	680,090	-	-	680,090
Boat harbor	-	-	-	154,908	154,908
Senior citizen center	-	-	-	377,796	377,796
Education - contribution to School District	1,300,000	-	-	-	1,300,000
Debt service:					
Principal	-	-	-	695,000	695,000
Interest	-	-	-	495,646	495,646
Capital outlay	-	-	1,327,715	425,890	1,753,605
Total expenditures	<u>6,632,937</u>	<u>680,090</u>	<u>1,327,715</u>	<u>3,955,799</u>	<u>12,596,541</u>
Excess (deficiency) of revenues over expenditures					
	<u>603,592</u>	<u>60,289</u>	<u>-</u>	<u>(1,700,057)</u>	<u>(1,036,176)</u>
Other financing sources (uses):					
Proceeds from bond refunding	-	-	-	8,425,000	8,425,000
Premium on bond refunding	-	-	-	1,383,708	1,383,708
Payment to bond refunding escrow agent	-	-	-	(9,734,429)	(9,734,429)
Bond refunding issuance costs	-	-	-	(74,279)	(74,279)
Transfers in	49,026	-	-	1,621,495	1,670,521
Transfers out	(1,621,495)	-	-	(49,026)	(1,670,521)
Net other financing sources (uses)	<u>(1,572,469)</u>	<u>-</u>	<u>-</u>	<u>1,572,469</u>	<u>-</u>
Net change in fund balances	(968,877)	60,289	-	(127,588)	(1,036,176)
Fund balances at beginning of year	<u>4,571,704</u>	<u>730,405</u>	<u>-</u>	<u>1,537,646</u>	<u>6,839,755</u>
Fund balances at end of year	<u>\$ 3,602,827</u>	<u>790,694</u>	<u>-</u>	<u>1,410,058</u>	<u>5,803,579</u>

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

CITY OF DILLINGHAM, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Activities

Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (1,036,176)

The change in net position reported for governmental activities in the
Statement of Activities is different because:

Some expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds.

Change in deferred outflows related to bond refunding	168,508	
Change in unfunded pension liabilities	<u>(999,679)</u>	(831,171)

Changes in deferred inflows and outflows of resources are the results of
timing differences in the actuarial report and adjustments to reflect
employer and non-employer contributions based on the measurement
date of the liability. (92,001)

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,363,068	
Depreciation expense	<u>(2,082,248)</u>	280,820

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. (94,258)

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. 50,670

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.

Issuance of long-term bond	\$ (9,808,708)	
Principal paid on bonds	10,092,413	
Acquisition of capital leases	(74,121)	
Payments on capital leases	180,022	
Amortized bond premium	<u>125,792</u>	515,398

Some expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds. This is the amount of the
decrease in accrued leave. 8,892

Change in net position of governmental activities \$ (1,197,826)

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

CITY OF DILLINGHAM, ALASKA

General Fund

Statement of Original and Final Budget to Actual Amounts

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental:				
Federal sources	\$ 430,000	446,018	446,018	-
State of Alaska	771,977	571,651	541,734	(29,917)
Bristol Bay Housing Authority	2,000	2,000	1,175	(825)
Local sources:				
Taxes	5,379,000	5,381,000	5,235,958	(145,042)
Charges for services	965,145	993,345	830,451	(162,894)
Licenses and permits	-	16,900	19,299	2,399
Fines and forfeitures	-	12,000	9,635	(2,365)
Lease and rental income	40,000	40,000	55,549	15,549
Investment income	30,000	30,000	2,343	(27,657)
Other	80,350	47,750	94,367	46,617
Total revenues	<u>7,698,472</u>	<u>7,540,664</u>	<u>7,236,529</u>	<u>(304,135)</u>
Expenditures:				
Current:				
General government	1,646,268	1,739,068	1,725,605	13,463
Public safety	2,435,141	2,411,501	2,331,851	79,650
Public works	1,332,648	1,237,448	1,187,808	49,640
Community services	116,194	111,194	87,673	23,521
Education	1,300,000	1,300,000	1,300,000	-
Total expenditures	<u>6,830,251</u>	<u>6,799,211</u>	<u>6,632,937</u>	<u>166,274</u>
Excess of revenues over expenditures	<u>868,221</u>	<u>741,453</u>	<u>603,592</u>	<u>(137,861)</u>
Other financing sources (uses):				
Transfers in	49,026	53,026	49,026	(4,000)
Transfers out	<u>(1,134,305)</u>	<u>(1,320,459)</u>	<u>(1,621,495)</u>	<u>(301,036)</u>
Total net other financing sources (uses)	<u>(1,085,279)</u>	<u>(1,267,433)</u>	<u>(1,572,469)</u>	<u>(305,036)</u>
Net change in fund balance	\$ <u>(217,058)</u>	<u>(525,980)</u>	<u>(968,877)</u>	<u>(442,897)</u>
Fund balance at beginning of year			<u>4,571,704</u>	
Fund balance at end of year			\$ <u><u>3,602,827</u></u>	

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

CITY OF DILLINGHAM, ALASKA

Dock Special Revenue Fund

Statement of Original and Final Budget to Actual Amounts

Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental:			
State of Alaska	\$ 8,900	8,017	(883)
Local sources:			
Charges for services	645,000	689,597	44,597
Investment income	3,000	585	(2,415)
Other	32,000	42,180	10,180
Total revenues	<u>688,900</u>	<u>740,379</u>	<u>51,479</u>
Expenditures:			
Current - dock	<u>672,728</u>	<u>680,090</u>	<u>(7,362)</u>
Excess (deficiency) of revenues over expenditures	16,172	60,289	44,117
Other financing sources (uses):			
Transfers out	<u>(64,981)</u>	-	<u>64,981</u>
Net change in fund balance	<u>\$ (48,809)</u>	60,289	<u>109,098</u>
Fund balance at beginning of year		<u>730,405</u>	
Fund balance at end of year		<u>\$ 790,694</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, 2017

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 City. The School City 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 City. It is discretely presented in a separate column to emphasize that it is legally separate from the City. Dillingham City School City is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters; however, the School City is fiscally dependent upon the City because the City Council approves the total annual budget of the School City, 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 City at P.O. Box 170, Dillingham, Alaska, 99576-0170.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The *Dock Special Revenue Fund* accounts for the operations of the City's docks.

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

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

Notes to Basic Financial Statements, continued

D. Capital Assets

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

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

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

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

E. Long-Term Debt

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

F. Property Taxes

Property taxes are levied as of July 1 on property values assessed as of January 1. The tax levy is payable in two installments due on the first business day of November, and the first business day of December. The taxes are considered past due after the respective tax billing due date at which time the applicable property is subject to lien and penalties and interest are assessed on the total tax liability.

G. Prepaid Items

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

H. Grants and Other Intergovernmental Revenues

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

I. Interfund Transactions

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

J. Compensated Absences

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

K. Fund Balances

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

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

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

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

Notes to Basic Financial Statements, continued

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

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

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

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

L. Net Position

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

M. Encumbrances

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

N. Unearned Grant Revenue

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

O. Pension Plan

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

P. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

III. CASH AND INVESTMENTS

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

A. Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2017.

Cash and cash equivalents	\$ 4,405,502	Cash and investments	\$ 4,229,902
Investments	291,819	Restricted cash and investments	467,419
	<u>\$ 4,697,321</u>		<u>\$ 4,697,321</u>

B. Investment Policy

The City's investment policy authorizes investments in:

1. Obligations of, or obligations insured or guaranteed by the United States of an agency or instrumentality of the United States.
2. Certificates of deposit, repurchase agreements, bankers acceptances and other similar obligations or a bank domiciled in the United States that has an outstanding debt rated at least "A" or its equivalent, by a nationally recognized rating service.
3. General obligations of a municipality within the United States, if the obligations are rated at least "A" by at least two nationally recognized rating services.
4. Mutual funds that consist of similar investments as listed above.
5. Money market and other cash equivalent investments (such as the Alaska Municipal League Investment Pool), with a maturity date of one year or less after date of investment, and that are of similar quality to the investments listed above.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City's investment maturities in general investments are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Federal National Mortgage Association –			
U.S. Agency Security	\$ 88,538	-	88,538
Alaska Municipal Investment Pool	<u>203,281</u>	<u>203,281</u>	<u>-</u>
	\$ <u>291,819</u>	<u>203,281</u>	<u>88,538</u>

D. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the investments in the U.S. government agencies are rated AAA by Moody's Investors Service and Municipal Bonds are rated A.

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

Notes to Basic Financial Statements, continued

Custodial Credit Risk

The City maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, the City maintains a collateralization agreement with a financial institution. At June 30, 2017 the City's cash deposits were fully insured.

For an investment, this is a risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments held by the City are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer per financial institution. At June 30, 2017 the City's investment balances over the insurance limit were uninsured and uncollateralized.

E. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the City's investments. The carrying amount of the City's investments are determined based on quoted market prices.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities:				
Federal National Mortgage Association - US Agency Security	\$ 88,538	88,538	-	-
Other Investments:				
Alaska Municipal League Investment Pool	203,281	-	203,281	-
Total Investments	\$ <u>291,819</u>	<u>88,538</u>	<u>203,281</u>	<u>-</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 follows:

Governmental Activities	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land and land improvements	\$ 4,862,446	-	-	4,862,446
Construction in progress	5,425,800	1,909,220	-	7,335,020
Total assets not being depreciated	<u>10,288,246</u>	<u>1,909,220</u>	<u>-</u>	<u>12,197,466</u>
Capital assets being depreciated:				
Buildings	24,606,898	-	-	24,606,898
Improvements other than buildings	30,188,093	-	-	30,188,093
Machinery and equipment	9,347,541	453,848	-	9,801,389
Total capital assets being depreciated	<u>64,142,532</u>	<u>453,848</u>	<u>-</u>	<u>64,596,380</u>
Less accumulated depreciated for:				
Buildings	8,015,371	677,994	-	8,693,365
Improvements other than buildings	12,761,826	917,672	-	13,679,498
Machinery and equipment	4,094,002	486,582	-	4,580,584
Total accumulated depreciated	<u>24,871,199</u>	<u>2,082,248</u>	<u>-</u>	<u>26,953,447</u>
Total capital assets being depreciated, net	<u>39,271,333</u>	<u>(1,628,400)</u>	<u>-</u>	<u>37,642,933</u>
Governmental activity capital assets, net	<u>\$ 49,559,579</u>	<u>280,820</u>	<u>-</u>	<u>49,840,399</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Depreciation expense was charged to the functions as follows:

General government	\$ 70,483
Public safety	138,705
Public works	134,085
Community services	8,205
Water and sewer	459,027
Boat harbor	228,930
Dock	333,983
Senior citizen center	20,125
Landfill	124,016
Education	<u>564,689</u>
Total depreciation expense	<u>\$ 2,082,248</u>

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A schedule of interfund balances and transfers for the year ended June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Dock Special Revenue Fund	General Fund	\$ 728,322
General Fund	Waste Water Treatment Plant	
	Capital Project Fund	424,091
	Other Governmental Funds	408,670
Other Governmental Funds	General Fund	<u>1,285,428</u>
Total		<u>\$ 2,846,511</u>

		Transfer In:		
		Other		
Transfers Out:		General Fund	Governmental Funds	Total
General Fund	\$	-	1,621,495	1,621,495
Other Governmental Funds		49,026	-	49,026
Total	\$	<u>49,026</u>	<u>1,621,495</u>	<u>1,670,521</u>

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VI. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	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	\$ 10,610,000	-	9,885,000	725,000	725,000
\$8,425,000 2016 Series Three and Four General Obligation School Bonds, due in annual installments of \$685,000 to \$1,035,000 plus interest at 4.0% to 5.0% through December 1, 2027	-	8,425,000	-	8,425,000	-
Bond premium	207,413	1,383,708	333,205	1,257,916	125,792
Public works - grader lease	6,195	-	6,195	-	-
Public works - vehicle lease	16,408	-	7,948	8,460	8,460
Two public safety vehicle leases (2013)	26,085	-	12,666	13,419	13,419
Public safety vehicle lease (2015)	19,140	-	5,986	13,154	6,373
Public safety vehicle lease (2017)	-	74,121	16,435	57,686	13,294
Dock crane	1,197,000	-	130,792	1,066,208	107,500
Accrued leave (net)	171,779	210,782	219,674	162,887	162,887
Estimated landfill closure costs	124,110	-	50,670	73,440	-
Net pension liability	4,808,667	999,679	-	5,808,346	-
Total Long-Term Debt	\$ 17,186,797	11,093,290	10,668,571	17,611,516	1,162,725

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, 2017 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2017	\$ 725,000	421,150	1,146,150
2018	685,000	378,450	1,063,450
2019	710,000	350,550	1,060,550
2020	740,000	321,550	1,061,550
2021	775,000	291,250	1,066,250
2022-2026	4,480,000	841,250	5,321,250
2027-2028	1,035,000	25,875	1,060,875
Total	\$ 9,150,000	2,630,075	11,780,075

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

In November 2016, the City issued \$8,425,000 Series Three and Four General Obligation Bonds with an average interest rate of 4.82% to advance refund \$9,190,000 of outstanding 2008 Series One bonds. The bonds were issued at a premium of \$1,383,708. The net proceeds of \$9,734,429 (after payment of \$74,279 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series One bonds. As a result, the 2008 Series One bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2017, the amount of defeased debt still outstanding was \$9,190,000.

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

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

VII. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of a grader, a streets vehicle, a vehicle for animal control, six vehicles for general public safety and a dock crane. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The following is a summary of the assets acquired with the capital leases that have an outstanding balance as of June 30, 2017:

	Public Works	Public Safety	Dock	Total
Machinery and equipment	\$ 378,251	241,052	1,497,000	2,116,303
Less accumulated depreciation	(260,229)	(150,536)	(99,800)	(510,565)
Carrying value	\$ 118,022	90,516	1,397,200	1,605,738

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, 2017:

<u>Year Ending June 30,</u>	<u>General Fund</u>
2018	180,078
2019	156,854
2020	149,634
2021	149,634
2023-2026	133,196
Total minimum lease payments	1,302,179
Less interest portion	(143,252)
Present value of future minimum lease payments	1,158,927
Less current portion	(149,046)
Total	\$ 1,009,881

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

VIII. FUND BALANCES

Fund balances at June 30, 2017, reported in the City's individual major funds and other governmental funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Dock Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable - prepaid	\$ 368,324	32,356	-	400,680
Restricted:				
Enhanced 911	-	-	201,096	201,096
Asset forfeiture	-	-	11,034	11,034
Dillingham Police Department reward	-	-	400	400
Local support	-	-	2,293	2,293
School Bonds	-	-	315	315
Landfill	-	-	172,044	172,044
Mary Carlson Estate	-	-	344,550	344,550
Total restricted	<u>-</u>	<u>-</u>	<u>731,732</u>	<u>731,732</u>
Committed:				
Equipment replacement	-	-	132,873	132,873
Ambulance reserve	-	-	448,074	448,074
Project planning	-	-	28,885	28,885
Total committed	<u>-</u>	<u>-</u>	<u>609,832</u>	<u>609,832</u>
Assigned:				
Water and sewer	-	-	45,099	45,099
Dock	-	758,338	-	758,338
Boat harbor	-	-	24,430	24,430
Total assigned	<u>-</u>	<u>758,338</u>	<u>69,529</u>	<u>827,867</u>
Unassigned (deficits)	<u>3,234,503</u>		<u>(1,035)</u>	<u>3,233,468</u>
Total fund balances	<u>\$ 3,602,827</u>	<u>790,694</u>	<u>1,410,058</u>	<u>5,803,579</u>

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

In the government-wide net investment in capital assets at June 30, 2017 is made up of the following:

Capital assets, net of accumulated depreciation	\$ 49,840,399
Less:	
Bonds payable	9,150,000
Bond premium	1,257,916
Capital leases	<u>1,158,927</u>
Net investment in capital assets	<u>\$ 38,273,556</u>

The Landfill and Senior Citizen Center Special Revenue Funds, have deficits of \$335 and 700, respectively at year end. The deficits will be covered by a transfer from the General Fund in FY2018.

IX. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

The current landfill has an estimated life of 50 years, with the installation of new more efficient incinerator equipment, resulting in the landfill lasting longer. Closure and post closure costs are estimated to be \$1,379,000. There is currently \$172,044 set aside in the Landfill Capital Project Fund. The City will recognize the remaining estimated cost of closure and post closure care cost based on a 50-year life.

X. Employee Retirement Systems and Plans

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

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

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

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

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

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

Alaska Retiree Healthcare Trust Plan (DB)

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

Healthcare Reimbursement Arrangement Plan (DC)

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

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

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

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

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

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

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

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

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

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

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

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

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2017 the past service rate is 16.02%.

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (4.59% pension costs and 2.16% OPEB) of their annual covered salary.

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

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (14.96% pension costs and 7.04% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 26.14% (17.78% pension and 8.36% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2017 is 4.14% (2.82% pension and 1.32% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.30% healthcare discount rate. The current rate is 83.90% (27.26% pension and 56.64% OPEB).

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2017	\$	113,087	53,228	166,315
2016		116,122	76,688	192,810
2015		122,218	92,208	214,426

The defined benefit unfunded liability (DBUL) presented under the defined contribution plan includes employer contributions of \$173,781 (pension) and \$81,796 (OPEB).

For the year ended June 30, 2017 the State of Alaska contributed \$131,170 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2016 to a total of \$98,971, to represent the pension expense attributable to the State under the full accrual basis of accounting.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	5,808,346
State's proportionate share of the net pension liability		<u>734,198</u>
Total	\$	<u>6,542,544</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the present value of contributions for FY2018 through FY2039, as determined by projections based on the June 30, 2016 valuation. At June 30, 2017, the City's proportion was 0.10391%, which is an increase of 0.0047% from June 30, 2016.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Based on the measurement date of June 30, 2016, the City recognized pension expense of \$1,477,519 for the year ended June 30, 2017. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 534	(64,744)
Changes of assumptions	26,789	-
Net difference between projected and actual earnings on pension plan investments	570,933	-
Changes in proportion and differences between City contributions and proportionate share of contributions	121,753	-
City contributions subsequent to the measurement date	<u>286,868</u>	<u>-</u>
Total	<u>\$ 1,006,877</u>	<u>(64,744)</u>

\$286,868 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ 177,040
2019	94,113
2020	233,399
2021	<u>150,713</u>
Total	<u>\$ 655,265</u>

For the year ended June 30, 2017, the City recognized \$595,576 of amortization of the net deferred outflows and inflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2016 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016.

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.35%
Global Equity (non-U.S.)	5.55%
Private Equity	6.25%
Fixed Income	0.80%
Real Estate	3.65%
Alternative Equity	4.70%

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

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

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ 7,480,856	5,808,346	4,397,662

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

Plan Description and Funding Requirements. School Citys and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.18% for the retiree medical plan (DB), 0.17% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

Members become vested in employers' contributions as follows:

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

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2017 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution (DC)	\$ 107,050	171,279
Other post-employment benefits (DB):		
Retiree medical plan	25,269	-
Occupational death and disability benefits	4,916	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	78,635	-
Defined benefit unfunded liability (DBUL)	<u>255,577</u>	<u>-</u>
	<u>\$ 471,447</u>	<u>171,279</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 68% pension and 32% OPEB.

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

	<u>Contributions /</u>	<u>Other Post-Employment</u>	<u>Total</u>
	<u>Pensions</u>	<u>Benefits</u>	
2017	\$ 280,831	190,616	471,447
2016	238,419	206,029	444,448
2015	211,662	198,777	410,439

XI. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years up to legal limits. No contributions are made by the City. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the Plan must be held in trust for the exclusive benefit of participants and their beneficiaries.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

XII. RISK MANAGEMENT

The City faces a considerable number of risks of loss, including: (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs.

The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability and workers' compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each members' annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2017.

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, 2017 was \$332,929. These bonds do not constitute a general obligation debt or pledge of the full faith and credit of the City. Accordingly, the bonds and related assets are not reflected in the accompanying financial statements.

XIV. CONTINGENT LIABILITIES AND COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be nominal. In the normal course of its activities, the City is involved in various claims and pending litigation.

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

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

XV. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures that exceeded their final budgets:

	<u>Amount</u>
General Fund:	
Other Financing Sources (Uses)	\$ 305,036
Special Revenue Funds:	
Water and sewer	293,071
Dock	7,362
Senior Citizen Center	88,115
Library	16,506
Public Safety	1,600

Excess of expenditures over appropriations in the Special Revenue Funds were funded through available revenues or operating transfers through the General Fund. Excess of expenditures over appropriations for the General Fund were funded through available fund balance.

XVI. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2018, the date which the financial statements were available for issue, and one subsequent event was identified that was necessary to disclose for proper presentation of the financial statements as follows.

XVII. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

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

- GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 81 *Irrevocable Split –Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.
- GASB 83 *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.
- GASB 85 *Omnibus 2017*. Effective for fiscal years beginning after June 15, 2017.
- GASB 86 *Certain Debt Extinguishment Issues*. Effective for fiscal years beginning after June 15, 2017.
- GASB 87 *Leases*. Effective for fiscal years beginning after December 15, 2019.

Statements 81, 83, and 84 are not expected to have any significant impact on the financial statements of the City.

CITY OF DILLINGHAM, ALASKA

Notes to Basic Financial Statements, continued

GASB Statements No. 75, the primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

GASB Statement No. 85, the objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF DILLINGHAM, ALASKA

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

Public Employees' Retirement System (PERS)

June 30, 2017

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0000%	\$ 2,822,639	\$ 2,767,785	\$ 5,590,424	\$ 1,627,839	173%	62.37%
2016	0.0000%	\$ 4,808,667	\$ 1,289,971	\$ 6,098,638	\$ 3,784,496	127%	63.96%
2017	0.0000%	\$ 5,808,346	\$ 734,198	\$ 6,542,544	\$ 3,933,622	148%	59.55%

Notes to Schedule:

1. Information presented for 2017 is based upon Plan measurement date June 30, 2016.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

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

June 30, 2017

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

Notes to schedule

1. Valuation date: June 30, 2015, which was rolled forward to June 30, 2016.
2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.
4. Amortization method: Level dollar, closed.
5. Amortization period: 25 years, as a level of percentage of payroll.
6. Equivalent single amortization period: 17 years.
7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
8. Inflation: 3.12% per annum.
9. Salary increases: Ranges from 6.36% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.35% to 4.34% based on age and service for All Others.
10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
12. Mortality: Pre-termination mortality rates were based upon the 2010-2013. Actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 95% of all rates of the RP - 2000 Table Base Year provided to 2018 with projected scale BB.
13. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

**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,	2017			2016
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal government:				
Payment in lieu of taxes	\$ 446,018	446,018	-	443,838
Federal surplus property donation	-	-	-	187,081
Total federal government	<u>446,018</u>	<u>446,018</u>	<u>-</u>	<u>630,919</u>
State of Alaska:				
Revenue sharing	132,764	132,833	69	202,035
Raw fish tax	167,849	167,849	-	433,564
Shared fisheries business tax	32,325	36,610	4,285	27,135
Electric and telephone co-op tax	80,000	62,525	(17,475)	65,540
PERS relief	127,213	103,800	(23,413)	127,653
Liquor licenses	4,500	5,200	700	4,000
Motor vehicle tax	27,000	32,917	5,917	28,104
Total State of Alaska	<u>571,651</u>	<u>541,734</u>	<u>(29,917)</u>	<u>888,031</u>
Bristol Bay Housing Authority - payment in lieu of taxes	<u>2,000</u>	<u>1,175</u>	<u>(825)</u>	<u>3,117</u>
Local sources:				
Taxes:				
Sales taxes	2,700,000	2,510,094	(189,906)	2,717,040
Alcohol sales taxes	300,000	287,562	(12,438)	282,164
Transient lodging sales taxes	85,000	80,286	(4,714)	78,449
Nushagak raw fish tax	-	306	306	3,941
Real property taxes	1,600,000	1,675,102	75,102	1,712,970
Personal property taxes	550,000	546,598	(3,402)	654,603
Penalty and interest on property taxes	60,000	39,555	(20,445)	56,002
Penalty and interest on sales taxes	16,000	17,909	1,909	72,751
Gaming taxes	70,000	78,546	8,546	118,382
Total taxes	<u>\$ 5,381,000</u>	<u>5,235,958</u>	<u>(145,042)</u>	<u>5,696,302</u>

(continued)

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
Revenues, continued:				
Local sources, continued:				
Charges for services:				
Contract revenue	\$ 535,000	534,851	(149)	534,851
Commissary	6,000	4,606	(1,394)	6,325
Court deposits	7,500	4,703	(2,797)	8,138
Fines and fees	4,500	4,192	(308)	6,976
Administrative overhead charges	383,145	223,368	(159,777)	503,667
Document copies	200	22	(178)	-
Platting and mapping fees	700	240	(460)	150
Ambulance fees	55,000	57,414	2,414	48,277
Other	1,300	1,055	(245)	1,032
Total charges for services	<u>993,345</u>	<u>830,451</u>	<u>(162,894)</u>	<u>1,109,416</u>
Licenses and permits:				
Animal licenses	1,000	955	(45)	1,407
Business licenses	15,000	17,000	2,000	15,600
Land use permits	900	1,344	444	975
Total licenses and permits	<u>16,900</u>	<u>19,299</u>	<u>2,399</u>	<u>17,982</u>
Fines and forfeitures:				
Title 47 fines	<u>12,000</u>	<u>9,635</u>	<u>(2,365)</u>	<u>10,424</u>
Lease and rental income	<u>40,000</u>	<u>55,549</u>	<u>15,549</u>	<u>64,714</u>
Investment income	<u>30,000</u>	<u>2,343</u>	<u>(27,657)</u>	<u>56,005</u>
Other revenues:				
DMV commission revenue	35,000	43,233	8,233	29,306
Trooper dispatch	-	-	-	20,000
Equipment sales	2,500	-	(2,500)	4,558
Property sales	-	-	-	46,639
Donations and contributions	250	5,233	4,983	-
Miscellaneous	<u>10,000</u>	<u>45,901</u>	<u>35,901</u>	<u>25,101</u>
Total other revenues	<u>47,750</u>	<u>94,367</u>	<u>46,617</u>	<u>125,604</u>
Total revenues	\$ <u>7,540,664</u>	<u>7,236,529</u>	<u>(304,135)</u>	<u>8,602,514</u>

(continued)

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures:				
General government:				
City council:				
Lobbying	\$ 31,000	30,000	1,000	30,000
Contract labor	500	490	10	2,280
Annexation project	22,000	24,927	(2,927)	3,495
Council contributions	800	311	489	18,441
Subscriptions and memberships	4,700	4,481	219	4,086
Telephone	300	611	(311)	393
Travel	2,000	120	1,880	-
Training	1,000	-	1,000	1,744
Food	-	501	(501)	860
Supplies	250	80	170	217
Advertising	2,500	902	1,598	1,950
Total city council	<u>65,050</u>	<u>62,423</u>	<u>2,627</u>	<u>63,466</u>
City clerk:				
Salaries	80,728	81,985	(1,257)	78,119
Employee benefits	41,973	40,853	1,120	41,561
Subscriptions and memberships	220	250	(30)	-
Supplies	350	223	127	-
Elections	3,650	3,349	301	4,077
Codification	2,500	1,452	1,048	3,921
Minor tools and equipment	150	-	150	120
Total city clerk	<u>129,571</u>	<u>128,112</u>	<u>1,459</u>	<u>127,798</u>
City administration:				
Salaries	200,425	184,283	16,142	197,123
Overtime salaries	-	34	(34)	174
Employee benefits	102,318	82,570	19,748	101,096
Project manager	5,000	-	5,000	-
Contract labor	30,000	26,592	3,408	3,350
Advertising	750	133	617	442
Travel	2,000	1,087	913	3,071
Subscriptions and memberships	400	-	400	390
Supplies	500	301	199	633
Training	1,000	175	825	525
Minor tools and equipment	500	50	450	-
Total city administration	<u>\$ 342,893</u>	<u>295,225</u>	<u>47,668</u>	<u>306,804</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,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued				
Finance:				
Salaries	\$ 357,947	343,509	14,438	364,551
Overtime salaries	1,000	1,031	(31)	1,720
Employee benefits	194,958	187,240	7,718	203,710
Recruiting	-	-	-	3,000
Appraisal	24,000	24,000	-	25,511
Contract labor	-	-	-	40,343
Advertising	1,000	1,758	(758)	468
Subscriptions and memberships	685	325	360	90
Travel	750	-	750	649
Bank charges	5,000	5,321	(321)	17,247
Supplies	2,000	3,426	(1,426)	1,507
Computer software	3,000	13,709	(10,709)	11,028
Minor tools and equipment	300	1,450	(1,150)	735
Total finance	<u>590,640</u>	<u>581,769</u>	<u>8,871</u>	<u>670,559</u>
Legal	<u>82,000</u>	<u>149,299</u>	<u>(67,299)</u>	<u>121,020</u>
Insurance:				
General liability	51,000	43,798	7,202	67,433
Property	75,000	71,572	3,428	62,894
Automobile	35,000	30,085	4,915	30,192
Claims deductibles	5,000	17,825	(12,825)	5,000
Total insurance	<u>166,000</u>	<u>163,280</u>	<u>2,720</u>	<u>165,519</u>
Nondepartmental:				
Contract labor	1,600	1,860	(260)	-
Accounting services and audit	60,080	63,259	(3,179)	69,552
Advertising	500	1,098	(598)	364
Credit card processing fees	45,000	35,183	9,817	46,605
Supplies	10,000	7,845	2,155	6,616
Postage	-	10,745	(10,745)	9,023
Telephone	11,000	9,655	1,345	9,633
Internet	11,414	9,629	1,785	6,265
Food	9,000	486	8,514	378
Gas, oil and grease	500	217	283	91
Vehicle maintenance	-	2,271	(2,271)	2,240
Computer hardware	26,950	25,455	1,495	-
Computer support services	46,000	41,184	4,816	32,312
Equipment maintenance	2,700	3,535	(835)	2,665
Leased equipment	2,000	1,365	635	1,917
Total nondepartmental	<u>\$ 226,744</u>	<u>213,787</u>	<u>12,957</u>	<u>187,661</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,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
Planning:				
Salaries	\$ 70,555	69,606	949	2,862
Overtime salaries	-	-	-	221
Employee benefits	37,665	39,280	(1,615)	1,897
Contract labor	20,700	14,394	6,306	22,240
Advertising	1,000	384	616	403
Subscriptions and memberships	400	510	(110)	400
Training	-	130	(130)	-
Recording fees	200	-	200	36
Supplies	400	409	(9)	-
Telephone	250	38	212	49
Total planning	<u>131,170</u>	<u>124,751</u>	<u>6,419</u>	<u>28,108</u>
Foreclosed property:				
Salaries	-	-	-	11,039
Overtime salaries	-	-	-	1,647
Employee benefits	-	-	-	7,261
Contractual	-	-	-	28,328
Supplies	-	-	-	75
Advertising	-	-	-	4,232
Foreclosure costs	2,500	976	1,524	7,531
Legal	2,500	5,983	(3,483)	3,657
Gas, oil and grease	-	-	-	1,487
Sample testing	-	-	-	200
Building repairs	-	-	-	7,655
Electricity	-	-	-	1,964
Refuse collection	-	-	-	1,632
Heating fuel	-	-	-	16,307
Total foreclosed property	<u>5,000</u>	<u>6,959</u>	<u>(1,959)</u>	<u>93,015</u>
Total general government	<u>1,739,068</u>	<u>1,725,605</u>	<u>13,463</u>	<u>1,763,950</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	268,199	284,355	(16,156)	271,744
Overtime salaries	20,000	22,417	(2,417)	16,018
Employee benefits	177,042	176,702	340	169,511
Travel	1,000	989	11	-
Telephone	425	449	(24)	204
AP SIN contract	800	709	91	709
Uniforms	-	-	-	293
Minor tools and equipment	500	945	(445)	1,599
Total police dispatch	<u>\$ 467,966</u>	<u>486,566</u>	<u>(18,600)</u>	<u>460,078</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,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Police department:				
Salaries	\$ 448,217	389,085	59,132	421,245
Overtime salaries	55,000	46,369	8,631	51,570
Employee benefits	261,199	200,146	61,053	223,681
Recruiting	-	-	-	1,952
Contract labor and towing	300	50	250	370
Travel and training	1,500	-	1,500	1,826
Supplies	250	294	(44)	135
Uniforms	1,000	1,322	(322)	3,562
Vehicle lease	38,300	43,344	(5,044)	9,628
Minor tools and equipment	5,000	5,540	(540)	6,170
Equipment maintenance	650	640	10	1,449
Total police department	<u>811,416</u>	<u>686,790</u>	<u>124,626</u>	<u>721,588</u>
Jail:				
Salaries	317,356	335,599	(18,243)	317,644
Overtime salaries	25,000	24,194	806	29,926
Employee benefits	179,861	190,878	(11,017)	173,170
Insurance	19,000	18,620	380	16,067
Travel	1,500	1,483	17	840
Training	-	-	-	50
Supplies	6,500	6,577	(77)	10,163
Uniforms	700	832	(132)	-
Food	25,000	18,599	6,401	27,534
Minor tools and equipment	3,500	3,001	499	-
Telephone	6,250	4,371	1,879	4,763
Internet	2,050	1,813	237	3,465
Electricity	10,000	12,038	(2,038)	11,398
Heating fuel	6,000	6,471	(471)	8,163
Water and sewer	3,270	4,010	(740)	3,883
Refuse collection	1,160	1,272	(112)	1,272
Equipment maintenance	500	421	79	219
Required inspections	1,200	1,390	(190)	1,256
Total jail	<u>\$ 608,847</u>	<u>631,569</u>	<u>(22,722)</u>	<u>609,813</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,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Department of motor vehicles:				
Salaries	\$ 28,467	31,604	(3,137)	33,612
Overtime salaries	-	-	-	19
Employee benefits	13,308	12,337	971	14,728
Travel	-	-	-	2,283
Minor tools and equipment	250	120	130	424
Total department of motor vehicles	<u>42,025</u>	<u>44,061</u>	<u>(2,036)</u>	<u>51,066</u>
Fire department:				
Salaries	107,156	106,132	1,024	102,373
Overtime salaries	-	-	-	808
Employee benefits	52,362	52,516	(154)	49,356
Contractual	5,000	4,008	992	338
Insurance	500	490	10	446
Advertising	1,400	1,557	(157)	-
Subscriptions and memberships	400	400	-	400
Travel	-	-	-	2,052
Training	-	485	(485)	9,913
Supplies	1,000	729	271	1,140
Postage	500	138	362	144
EMS and fire supplies	5,000	8,714	(3,714)	7,852
Personal protective equipment	9,600	-	9,600	-
Public education	500	587	(87)	555
Ambulance billing	3,500	5,235	(1,735)	3,255
Minor tools and equipment	4,000	3,472	528	1,348
Major equipment	-	613	(613)	-
Janitorial	-	-	-	37
Fire department equipment replacement	3,500	277	3,223	23,796
Building repairs	-	268	(268)	-
Vehicle maintenance	-	-	-	11
Telephone	3,000	2,900	100	2,751
Internet	3,300	5,971	(2,671)	4,038
Electricity	6,400	7,395	(995)	6,614
Heating fuel	9,600	11,185	(1,585)	8,278
Water and sewer	3,400	7,816	(4,416)	6,948
Refuse	1,300	1,344	(44)	1,368
Required inspections	1,500	207	1,293	713
Sample testing	350	80	270	-
Member recognition	2,500	1,201	1,299	2,299
Airport lease	550	650	(100)	550
Total fire department	<u>\$ 226,318</u>	<u>224,370</u>	<u>1,948</u>	<u>237,383</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>2017 Actual</u>	<u>Variance</u>	<u>2016 Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	\$ 53,011	55,547	(2,536)	56,603
Overtime salaries	2,000	2,002	(2)	2,254
Employee benefits	27,596	27,460	136	28,856
Subscriptions and memberships	100	-	100	-
Supplies	1,000	332	668	575
Uniforms	-	-	-	69
Minor tools and equipment	1,000	691	309	1,109
Leased equipment	-	-	-	5,346
Telephone and internet	725	1,397	(672)	2,819
Electricity	2,500	2,766	(266)	3,297
Heating fuel	1,200	2,194	(994)	1,579
Water and sewer	2,160	2,605	(445)	1,971
Refuse collection	-	-	-	1,096
Required inspections	-	-	-	78
Total animal control	<u>91,292</u>	<u>94,994</u>	<u>(3,702)</u>	<u>105,652</u>
Information technology:				
Computer hardware	-	-	-	515
Computer software	-	-	-	165
Computer support services	-	-	-	10,965
Total information technology	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>11,645</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,	2017		Variance	2016
	Budget	Actual		Actual
Expenditures, continued:				
Public safety, continued:				
Administration:				
Salaries	\$ 70,036	72,232	(2,196)	67,796
Employee benefits	37,621	36,688	933	38,336
Advertising	250	57	193	546
Insurance	19,000	18,620	380	16,067
Subscriptions and memberships	300	200	100	280
Travel	500	-	500	144
Court processing	500	497	3	510
Supplies	2,200	1,384	816	840
Postage	1,500	1,390	110	1,474
Uniforms	-	-	-	147
Vehicle lease	-	-	-	7,520
Telephone	7,250	7,183	67	8,411
Internet	2,050	1,663	387	2,683
Electricity	10,000	12,038	(2,038)	11,398
Water and sewer	3,270	3,806	(536)	2,884
Heating fuel	7,000	6,471	529	8,175
Refuse collection	1,160	1,272	(112)	1,272
Required inspections	1,000	-	1,000	550
Total administration	<u>163,637</u>	<u>163,501</u>	<u>136</u>	<u>169,033</u>
Total public safety	<u>2,411,501</u>	<u>2,331,851</u>	<u>79,650</u>	<u>2,366,258</u>
Public works:				
Administration:				
Salaries	108,521	114,930	(6,409)	100,394
Overtime salaries	-	465	(465)	779
Employee benefits	44,715	58,991	(14,276)	44,182
Advertising	300	466	(166)	1,982
Subscriptions and memberships	500	269	231	269
Travel	1,000	1,034	(34)	1,039
Training	-	-	-	25
Supplies	300	758	(458)	125
Telephone	1,716	1,667	49	1,714
Internet	2,000	1,717	283	2,481
Minor tools and equipment	300	-	300	660
Leased equipment	1,176	-	1,176	-
Equipment maintenance	295	295	-	295
Total administration	<u>\$ 160,823</u>	<u>180,592</u>	<u>(19,769)</u>	<u>153,945</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,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Building and grounds maintenance:				
Salaries	\$ 115,159	121,410	(6,251)	99,644
Overtime salaries	8,190	8,671	(481)	9,828
Employee benefits	76,501	76,865	(364)	67,755
Contract labor	-	1,157	(1,157)	-
Travel	-	-	-	35
Training	-	-	-	25
Supplies	1,500	724	776	1,189
Gas, oil and grease	-	34	(34)	-
Safety equipment	1,000	886	114	213
Minor tools and equipment	2,000	1,202	798	1,424
Telephone	2,000	2,095	(95)	1,657
Electricity	10,000	12,107	(2,107)	12,064
Heating fuel	11,500	15,729	(4,229)	14,206
Water and sewer	1,500	1,631	(131)	1,449
Refuse collection	600	-	600	-
Janitorial	42,000	38,200	3,800	46,229
Building repairs	40,000	28,306	11,694	21,303
Required inspections	-	-	-	108
Total building and grounds maintenance	<u>311,950</u>	<u>309,017</u>	<u>2,933</u>	<u>277,129</u>
Shop maintenance:				
Salaries	55,990	22,307	33,683	19,212
Overtime salaries	7,524	3,067	4,457	3,239
Employee benefits	65,268	63,134	2,134	65,488
Travel	-	-	-	210
Training	-	-	-	25
Supplies	5,000	5,111	(111)	4,712
Gas, oil and grease	70,000	51,408	18,592	84,593
Used oil management	1,500	494	1,006	120
Minor tools and equipment	3,000	506	2,494	1,659
Safety equipment	1,000	1,398	(398)	418
Telephone	1,000	557	443	613
Electricity	11,000	14,636	(3,636)	12,056
Heating fuel	10,000	12,015	(2,015)	13,733
Refuse collection	2,300	2,496	(196)	2,496
Vehicle maintenance	28,750	35,233	(6,483)	40,378
Required inspections	600	362	238	1,229
Equipment maintenance	45,000	55,148	(10,148)	84,642
Total shop maintenance	<u>\$ 307,932</u>	<u>267,872</u>	<u>40,060</u>	<u>334,823</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,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries	\$ 98,793	103,891	(5,098)	102,752
Overtime salaries	30,000	19,150	10,850	33,738
Employee benefits	69,150	55,030	14,120	64,771
Contractual	100,000	99,677	323	133,500
Insurance	12,000	10,305	1,695	7,082
Travel	-	636	(636)	35
Training	-	-	-	405
Supplies	1,500	1,895	(395)	1,815
Gas, oil and grease	-	-	-	211
Salt and calcium	30,000	30,368	(368)	39,246
Street signs	500	73	427	776
Road maintenance	30,000	21,055	8,945	19,980
Gravel and sand	44,000	44,925	(925)	33,750
Minor tools and equipment	500	306	194	4,784
Safety equipment	1,000	1,488	(488)	791
Electricity	24,000	26,307	(2,307)	25,599
Equipment repairs	-	-	-	954
Leased equipment	15,300	15,221	79	89,797
Total streets	<u>456,743</u>	<u>430,327</u>	<u>26,416</u>	<u>559,986</u>
Total public works	<u>1,237,448</u>	<u>1,187,808</u>	<u>49,640</u>	<u>1,325,883</u>
Community services:				
Library:				
Salaries	71,560	57,710	13,850	67,907
Overtime salaries	-	309	(309)	5
Employee benefits	15,237	10,486	4,751	15,514
Subscriptions and memberships	1,700	1,720	(20)	1,615
Travel	-	207	(207)	24
Supplies	400	-	400	582
Postage	200	123	77	206
Audio visual	500	6	494	743
Books	800	-	800	24
Periodicals	550	132	418	791
Collection preservation	1,200	366	834	402
Summer reading program	500	490	10	1,248
Minor tools and equipment	100	792	(692)	34
Telephone	713	631	82	545
Internet	3,370	-	3,370	1,995
Electricity	3,500	4,202	(702)	3,750
Heating fuel	3,000	2,388	612	2,530
Water and sewer	1,364	1,631	(267)	1,449
Refuse collection	300	300	-	300
Building repairs	-	693	(693)	-
Required inspections	200	-	200	48
Software	1,200	660	540	599
Equipment maintenance	1,800	1,759	41	1,804
Total library	<u>\$ 108,194</u>	<u>84,605</u>	<u>23,589</u>	<u>102,115</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,	2017			2016
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Community services, continued:				
Meeting hall:				
Telephone	\$ 600	577	23	548
Electricity	900	860	40	900
Water and sewer	1,500	1,631	(131)	1,449
Total meeting hall	3,000	3,068	(68)	2,897
Total community services	111,194	87,673	23,521	105,012
Capital outlay:	-	-	-	187,081
Total expenditures	6,799,211	6,632,937	166,274	7,048,184
Excess of revenues over expenditures	741,453	603,592	(137,861)	1,554,330
Other financing sources (uses):				
Proceeds from sale of assets	-	-	-	21,217
Transfers in	53,026	49,026	(4,000)	44,571
Transfers out	(1,320,459)	(1,621,495)	(301,036)	(1,773,800)
Net other financing sources (uses)	(1,267,433)	(1,572,469)	(305,036)	(1,708,012)
Net change in fund balance	\$ (525,980)	(968,877)	(442,897)	(153,682)
Fund balance at beginning of year		4,571,704		4,725,386
Fund balance at end of year		\$ 3,602,827		4,571,704

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

Years Ended June 30,	2017		2016	
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 8,900	8,017	(883)	10,933
Local sources:				-
Charges for services:				
Wharfage and handling	480,000	533,686	53,686	699,335
Docking	75,000	52,646	(22,354)	121,454
Labor income	4,000	5,697	1,697	8,410
Equipment rental	36,000	38,246	2,246	59,552
Fuel flowage fees	50,000	59,322	9,322	87,006
Total charges for services	<u>645,000</u>	<u>689,597</u>	<u>44,597</u>	<u>975,757</u>
Investment income	3,000	585	(2,415)	10,048
Other	32,000	42,180	10,180	105,278
Total revenues	<u>688,900</u>	<u>740,379</u>	<u>51,479</u>	<u>1,102,016</u>
Expenditures:				
Dock:				
Salaries	151,174	158,511	(7,337)	137,313
Overtime salaries	49,600	50,118	(518)	40,279
Employee benefits	107,669	133,674	(26,005)	131,314
Contract labor	26,000	-	26,000	-
Insurance	26,000	26,950	(950)	26,337
Travel and training	-	-	-	1,368
Supplies	1,000	896	104	566
Gas, oil and grease	15,000	12,712	2,288	12,047
Minor tools and equipment	4,500	912	3,588	885
Leased equipment	133,500	133,196	304	-
Utilities and telephone	18,700	18,187	513	16,808
Building and equipment repairs	-	53,760	(53,760)	36,859
Dock repair and maintenance	46,000	29,779	16,221	32,615
Inspections	1,750	724	1,026	9,325
Advertising	-	847	(847)	-
Administrative overhead	91,835	59,824	32,011	160,756
Total dock	<u>672,728</u>	<u>680,090</u>	<u>(7,362)</u>	<u>606,472</u>
Capital outlay:				
Major equipment	-	-	-	1,527,425
Total expenditures	<u>672,728</u>	<u>680,090</u>	<u>(7,362)</u>	<u>2,133,897</u>
Excess (deficiency) of revenues over expenditures	<u>16,172</u>	<u>60,289</u>	<u>44,117</u>	<u>(1,031,881)</u>
Other financing sources (uses):				
Proceeds from lease financing	-	-	-	1,197,000
Transfers out	(64,981)	-	64,981	(131,947)
Net other financing sources (uses)	<u>(64,981)</u>	<u>-</u>	<u>64,981</u>	<u>1,065,053</u>
Net change in fund balance	\$ <u>(48,809)</u>	60,289	<u>109,098</u>	33,172
Fund balance at beginning of year		<u>730,405</u>		<u>697,233</u>
Fund balance at end of year		<u>\$ 790,694</u>		<u>730,405</u>

CITY OF DILLINGHAM, ALASKA
 Other Governmental Funds
 Combining Balance Sheet

June 30, 2017

	Special Revenue Funds									
	Water and Sewer	Landfill	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Dillingham Police Department Reward	Library	Public Safety	Local Support
<u>Assets</u>										
Cash and investments	\$ -	100	100	-	-	510	-	-	-	-
Receivables:										
Accounts	179,839	11,810	27,281	-	-	2,110	-	-	-	-
Grants	-	-	-	-	-	130,765	-	5,550	55,000	25,876
Allowance for uncollectible accounts	(34,830)	(639)	(5,490)	-	-	-	-	-	-	-
Due from other funds	14,734	8,105	20,229	201,096	11,034	-	400	526	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-
Total assets	\$ <u>159,743</u>	<u>19,376</u>	<u>42,120</u>	<u>201,096</u>	<u>11,034</u>	<u>133,385</u>	<u>400</u>	<u>6,076</u>	<u>55,000</u>	<u>25,876</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</u>										
Liabilities:										
Accounts payable	\$ 17,906	8,996	8,724	-	-	9,063	-	4,576	55,000	-
Accrued payroll and related liabilities	7,433	9,545	4,580	-	-	4,538	-	-	-	4,958
Due to other funds	-	-	-	-	-	101,009	-	-	-	18,625
Unearned revenue	-	-	-	-	-	19,475	-	1,500	-	-
Total liabilities	<u>25,339</u>	<u>18,541</u>	<u>13,304</u>	<u>-</u>	<u>-</u>	<u>134,085</u>	<u>-</u>	<u>6,076</u>	<u>55,000</u>	<u>23,583</u>
Deferred inflows of resources	<u>89,305</u>	<u>1,170</u>	<u>4,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances(deficits):										
Restricted	-	-	-	201,096	11,034	-	400	-	-	2,293
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	45,099	-	24,430	-	-	-	-	-	-	-
Unassigned (deficits)	-	(335)	-	-	-	(700)	-	-	-	-
Total fund balances (deficits)	<u>45,099</u>	<u>(335)</u>	<u>24,430</u>	<u>201,096</u>	<u>11,034</u>	<u>(700)</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,293</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ <u>159,743</u>	<u>19,376</u>	<u>42,120</u>	<u>201,096</u>	<u>11,034</u>	<u>133,385</u>	<u>400</u>	<u>6,076</u>	<u>55,000</u>	<u>25,876</u>

(continued)

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

	Capital Project Funds									Debt Service Fund	Mary Carlson Estate Permanent Fund	Total Other Governmental Funds
	Dock and Harbor	Library Museum Repair	School Bonds	Equipment Replacement	Ambulance Reserve	Planning	Landfill	Public Safety	Water Improvement			
<u>Assets</u>												
Cash and investments	\$ -	-	-	-	-	-	-	-	-	-	-	710
Receivables:												
Accounts	-	-	-	-	-	-	-	-	-	142,260	-	363,300
Grants	2,630	7,559	-	-	-	-	-	822	19,474	-	-	247,676
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-	(40,959)
Due from other funds	654	-	-	176,856	650,791	28,885	172,044	74	-	-	-	1,285,428
Restricted cash	-	-	77,386	-	-	-	-	-	-	-	390,033	467,419
Total assets	\$ 3,284	7,559	77,386	176,856	650,791	28,885	172,044	896	19,474	142,260	390,033	2,323,574
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</u>												
Liabilities:												
Accounts payable	\$ -	-	-	43,983	202,717	-	-	-	3,386	-	247	354,598
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	31,054
Due to other funds	-	7,559	77,071	-	-	-	-	822	16,088	142,260	45,236	408,670
Unearned revenue	3,284	-	-	-	-	-	-	74	-	-	-	24,333
Total liabilities	3,284	7,559	77,071	43,983	202,717	-	-	896	19,474	142,260	45,483	818,655
Deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	94,861
Fund balances (deficits):												
Restricted	-	-	315	-	-	-	172,044	-	-	-	344,550	731,732
Committed	-	-	-	132,873	448,074	28,885	-	-	-	-	-	609,832
Assigned	-	-	-	-	-	-	-	-	-	-	-	69,529
Unassigned (deficits)	-	-	-	-	-	-	-	-	-	-	-	(1,035)
Total fund balances (deficits)	-	-	315	132,873	448,074	28,885	172,044	-	-	-	344,550	1,410,058
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 3,284	7,559	77,386	176,856	650,791	28,885	172,044	896	19,474	142,260	390,033	2,323,574

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

Year Ended June 30, 2017

	Special Revenue Funds									
	Water and Sewer	Landfill	Boat Harbor	Enhanced 911 Service	Asset Forfeiture	Senior Citizen Center	Dillingham Police Department Reward	Library	Public Safety	Local Support
Revenues:										
Intergovernmental:										
Federal sources	\$ -	-	-	-	-	92,743	-	7,587	-	-
State of Alaska	5,425	7,254	2,244	-	-	129,608	-	15,420	55,000	-
Local sources:										
Local assistance	-	-	-	-	-	33,620	-	84,642	1,600	60,616
Charges for services	539,537	123,208	92,013	74,882	-	-	-	-	-	-
Lease and rental income	-	-	20,103	-	-	30,368	-	-	-	-
Asset forfeiture	-	-	-	-	9,146	-	-	-	-	-
Investment income (loss)	-	-	-	149	8	-	-	-	-	-
Other	47,829	-	31,028	-	-	14,290	-	-	-	-
Total revenues	<u>592,791</u>	<u>130,462</u>	<u>145,388</u>	<u>75,031</u>	<u>9,154</u>	<u>300,629</u>	<u>-</u>	<u>107,649</u>	<u>56,600</u>	<u>60,616</u>
Expenditures:										
Current:										
Public safety	-	-	-	-	1,114	-	-	56,600	-	-
Community services	-	-	-	-	-	-	107,649	-	60,616	-
Water and sewer	816,712	-	-	-	-	-	-	-	-	-
Landfill	-	714,499	-	-	-	-	-	-	-	-
Dock	-	-	-	-	-	-	-	-	-	-
Boat harbor	-	-	154,908	-	-	-	-	-	-	-
Senior citizen center	-	-	-	-	-	377,796	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>816,712</u>	<u>714,499</u>	<u>154,908</u>	<u>-</u>	<u>1,114</u>	<u>377,796</u>	<u>-</u>	<u>107,649</u>	<u>56,600</u>	<u>60,616</u>
Excess (deficiency) of revenues over expenditures	<u>(223,921)</u>	<u>(584,037)</u>	<u>(9,520)</u>	<u>75,031</u>	<u>8,040</u>	<u>(77,167)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):										
Proceeds from bond refunding	-	-	-	-	-	-	-	-	-	-
Premium on bond refunding	-	-	-	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	-	-
Bond refunding issuance costs	-	-	-	-	-	-	-	-	-	-
Transfers in	256,360	658,572	-	-	-	114,477	-	-	-	-
Transfers out	-	-	-	(49,026)	-	-	-	-	-	-
Net other financing sources (uses)	<u>256,360</u>	<u>658,572</u>	<u>-</u>	<u>(49,026)</u>	<u>-</u>	<u>114,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	32,439	74,535	(9,520)	26,005	8,040	37,310	-	-	-	-
Fund balances (deficits) at beginning of year	12,660	(74,870)	33,950	175,091	2,994	(38,010)	400	-	-	2,293
Fund balances (deficits) at end of year	<u>\$ 45,099</u>	<u>(335)</u>	<u>24,430</u>	<u>201,096</u>	<u>11,034</u>	<u>(700)</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,293</u>

(continued)

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

	Capital Project Funds									Debt Service Fund	Mary Carlson Estate Permanent Fund	Total Other Governmental Funds
	Dock and Harbor	Library Museum Repair	School Bonds	Equipment Replacement	Ambulance Reserve	Planning	Landfill	Public Safety	Water Improvement			
Revenues:												
Intergovernmental:												
Federal government	\$ -	-	-	-	-	-	-	-	-	-	-	100,330
State of Alaska	-	12,175	-	-	-	-	4,993	65,050	659,060	-	-	956,229
Local sources:												
Local assistance	-	-	-	-	-	-	-	24,998	-	-	-	205,476
Charges for services	-	-	-	-	-	-	-	-	-	-	-	829,640
Lease and rental income	-	-	-	-	-	-	-	-	-	-	-	50,471
Asset forfeiture	-	-	-	-	-	-	-	-	-	-	-	9,146
Investment income (loss)	-	-	315	-	-	-	-	-	-	-	(149)	323
Other	10,192	-	-	-	-	-	-	-	-	-	788	104,127
Total revenues	<u>10,192</u>	<u>12,175</u>	<u>315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,993</u>	<u>90,048</u>	<u>659,060</u>	<u>639</u>	<u>-</u>	<u>2,255,742</u>
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	57,714
Community services	-	-	-	-	-	-	-	-	-	-	49,369	217,634
Water and sewer	-	-	-	-	-	-	-	-	-	-	-	816,712
Landfill	-	-	-	-	-	-	-	-	-	-	-	714,499
Dock	-	-	-	-	-	-	-	-	-	-	-	-
Boat harbor	-	-	-	-	-	-	-	-	-	-	-	154,908
Senior citizen center	-	-	-	-	-	-	-	-	-	-	-	377,796
Debt service	-	-	-	-	-	-	-	-	1,190,646	-	-	1,190,646
Capital outlay	10,192	12,175	-	22,299	286,183	-	4,993	90,048	-	-	-	425,890
Total expenditures	<u>10,192</u>	<u>12,175</u>	<u>-</u>	<u>22,299</u>	<u>286,183</u>	<u>-</u>	<u>4,993</u>	<u>90,048</u>	<u>1,190,646</u>	<u>49,369</u>	<u>-</u>	<u>3,955,799</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>315</u>	<u>(22,299)</u>	<u>(286,183)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(531,586)</u>	<u>(48,730)</u>	<u>-</u>	<u>(1,700,057)</u>
Other financing sources (uses) -												
Proceeds from bond refunding	-	-	-	-	-	-	-	-	8,425,000	-	-	8,425,000
Premium on bond refunding	-	-	-	-	-	-	-	-	1,383,708	-	-	1,383,708
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	(9,734,429)	-	-	(9,734,429)
Bond refunding issuance costs	-	-	-	-	-	-	-	-	(74,279)	-	-	(74,279)
Transfers in	-	-	-	-	60,500	-	-	-	531,586	-	-	1,621,495
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(49,026)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,586</u>	<u>-</u>	<u>-</u>	<u>1,572,469</u>
Net change in fund balances	-	-	315	(22,299)	(225,683)	-	-	-	-	-	(48,730)	(127,588)
Fund balances (deficits) at beginning of year	-	-	-	155,172	673,757	28,885	172,044	-	-	-	393,280	1,537,646
Fund balances (deficits) at end of year	\$ <u>-</u>	<u>-</u>	<u>315</u>	<u>132,873</u>	<u>448,074</u>	<u>28,885</u>	<u>172,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,550</u>	<u>1,410,058</u>

Non-Major Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Years Ended June 30,	2017		2016	
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 8,070	5,425	(2,645)	9,473
Local sources:				
Charges for services:				
Water sales	175,000	195,754	20,754	174,828
Sewer fees	310,027	343,783	33,756	281,726
Total charges for services	485,027	539,537	54,510	456,554
Other	19,000	47,829	28,829	21,650
Total revenues	512,097	592,791	80,694	487,677
Expenditures:				
Water:				
Salaries	54,341	43,286	11,055	48,703
Overtime salaries	6,794	5,576	1,218	13,670
Employee benefits	41,384	28,119	13,265	40,447
Contract labor	10,000	1,495	8,505	150,000
Insurance	4,000	3,435	565	2,417
Travel and training	750	1,680	(930)	847
Supplies	4,500	5,050	(550)	3,707
Gas, oil and grease	1,500	3,182	(1,682)	3,500
Minor tools and equipment	4,500	3,682	818	3,674
Utilities and telephone	27,750	34,479	(6,729)	29,567
Advertising	-	-	-	109
Building and equipment repairs	6,500	9,110	(2,610)	14,449
Sample testing and inspections	10,500	9,449	1,051	4,507
Administrative overhead	40,332	14,678	25,654	61,586
Total water	212,851	163,221	49,630	377,183
Sewer:				
Salaries	59,341	56,983	2,358	55,554
Overtime salaries	20,000	20,392	(392)	44,140
Employee benefits	49,067	42,162	6,905	61,179
Contract labor	5,000	38,324	(33,324)	46,744
Insurance	-	-	-	1,253
Travel and training	-	-	-	352
Supplies	2,500	6,082	(3,582)	2,738
Chemicals	4,800	8,248	(3,448)	6,829
Gas, oil and grease	3,000	3,531	(531)	3,613
Minor tools and equipment	2,000	2,746	(746)	2,849
Major equipment	2,000	11,683	(9,683)	-
Engineering/Construction	48,000	306,278	(258,278)	-
Utilities and telephone	43,700	75,745	(32,045)	47,377
Advertising	-	70	(70)	-
Building and equipment repairs	18,000	13,072	4,928	11,435
Sample testing and inspections	9,000	11,964	(2,964)	12,463
Administrative overhead	44,382	56,211	(11,829)	48,405
Total sewer	310,790	653,491	(342,701)	344,931
Total expenditures	523,641	816,712	(293,071)	722,114
Excess (deficiency) of revenues over expenditures	(11,544)	(223,921)	(212,377)	(234,437)
Other financing sources - transfers in	-	256,360	256,360	188,615
Net change in fund balance	\$ (11,544)	32,439	43,983	(45,822)
Fund balance at beginning of year		12,660		58,482
Fund balance at end of year		\$ 45,099		12,660

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

Years Ended June 30,	<u>Budget</u>	<u>2017 Actual</u>	<u>Variance</u>	<u>2016 Actual</u>
Revenues:				
Intergovernmental -				
State PERS relief	\$ 8,707	7,254	(1,453)	9,586
Local sources:				
Charges for services - landfill fees	<u>140,000</u>	<u>123,208</u>	<u>(16,792)</u>	<u>132,191</u>
Total revenues	<u>148,707</u>	<u>130,462</u>	<u>(18,245)</u>	<u>141,777</u>
Expenditures:				
Landfill:				
Salaries	170,571	176,045	(5,474)	174,881
Overtime salaries	10,027	8,837	1,190	21,168
Employee benefits	94,293	97,940	(3,647)	88,043
Contractual	90,000	99,912	(9,912)	238,594
Insurance	5,500	4,723	777	3,132
Advertising	800	2,072	(1,272)	208
Training and travel	-	-	-	705
Supplies	2,500	5,140	(2,640)	3,244
Gravel	30,000	25,500	4,500	-
Gas, oil and grease	100,000	97,028	2,972	168,893
Minor tools and equipment	5,000	7,361	(2,361)	4,254
Utilities and telephone	30,000	27,669	2,331	33,393
Building and equipment repairs	26,000	43,948	(17,948)	34,883
Sample testing and inspections	45,500	54,006	(8,506)	12,898
Administrative overhead	<u>127,338</u>	<u>64,318</u>	<u>63,020</u>	<u>152,813</u>
Total expenditures	<u>737,529</u>	<u>714,499</u>	<u>23,030</u>	<u>937,109</u>
Excess (deficiency) of revenues over expenditures	(588,822)	(584,037)	4,785	(795,332)
Other financing sources - transfers in	<u>588,822</u>	<u>658,572</u>	<u>69,750</u>	<u>714,740</u>
Net change in fund balance	\$ <u>-</u>	74,535	<u>74,535</u>	(80,592)
Fund balance (deficit) at beginning of year		<u>(74,870)</u>		<u>5,722</u>
Fund balance (deficit) at end of year		\$ <u>(335)</u>		<u>(74,870)</u>

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

Years Ended June 30,	2017		Variance	2016
	Budget	Actual		Actual
Revenues:				
Intergovernmental -				
State PERS relief	\$ 3,446	2,244	(1,202)	3,933
Local sources:				
Charges for services - boat harbor fees	100,000	92,013	(7,987)	110,422
Lease and rental income	27,640	20,103	(7,537)	18,902
Other	7,250	31,028	23,778	11,803
Total revenues	<u>138,336</u>	<u>145,388</u>	<u>7,052</u>	<u>145,060</u>
Expenditures:				
Boat harbor:				
Salaries	60,344	46,276	14,068	53,255
Overtime salaries	6,000	3,427	2,573	6,075
Employee benefits	32,230	26,608	5,622	30,998
Contract labor	-	38	(38)	1,463
Advertising	-	-	-	988
Memberships	250	150	100	150
Travel and training	-	-	-	125
Supplies	4,000	5,682	(1,682)	3,246
Gas, oil and grease	2,000	726	1,274	2,575
Minor tools and equipment	2,000	2,034	(34)	1,782
Utilities and telephone	30,715	37,796	(7,081)	39,869
Janitorial services	5,250	5,550	(300)	5,620
Building and equipment repairs	18,500	12,369	6,131	24,706
Inspections	1,700	362	1,338	1,305
Administrative overhead	30,478	13,890	16,588	31,605
Total expenditures	<u>193,467</u>	<u>154,908</u>	<u>38,559</u>	<u>203,762</u>
Excess (deficiency) of revenues over expenditures	(55,131)	(9,520)	45,611	(58,702)
Other financing sources - transfers in	<u>59,131</u>	<u>-</u>	<u>(59,131)</u>	<u>76,947</u>
Net change in fund balance	\$ <u>4,000</u>	(9,520)	<u>(13,520)</u>	18,245
Fund balance at beginning of year		<u>33,950</u>		<u>15,705</u>
Fund balance at end of year		\$ <u>24,430</u>		<u>33,950</u>

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

Years Ended June 30,	2017		Variance	2016
	Budget	Actual		Actual
Revenues:				
Charges for services:				
E911 revenue	\$ 86,000	74,882	(11,118)	68,617
Local:				
Investment income	760	149	(611)	2,256
Total revenues	<u>86,760</u>	<u>75,031</u>	<u>(11,729)</u>	<u>70,873</u>
Expenditures - public safety - equipment	-	-	-	219
Excess of revenues over expenditures	86,760	75,031	(11,729)	70,654
Other financing sources - transfers out	<u>(49,026)</u>	<u>(49,026)</u>	-	<u>(44,571)</u>
Net change in fund balance	<u>\$ 37,734</u>	26,005	<u>(11,729)</u>	26,083
Fund balance at beginning of year		<u>175,091</u>		<u>149,008</u>
Fund balance at end of year		<u>\$ 201,096</u>		<u>175,091</u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues:		
Asset forfeiture	\$ 9,146	-
Investment Income	8	<u>39</u>
Total revenues	<u>9,154</u>	<u>39</u>
Expenditures - public safety:		
Travel	<u>1,114</u>	<u>1,158</u>
Excess (deficiency) of revenues over expenditures	8,040	(1,119)
Fund balance at beginning of year	<u>2,994</u>	<u>4,113</u>
Fund balance at end of year	\$ <u><u>11,034</u></u>	<u><u>2,994</u></u>

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal sources	\$ 134,459	92,743	(41,716)	87,743
State of Alaska	-	125,178	125,178	47,326
State PERS relief	5,041	4,430	(611)	5,456
Local sources:				
Local assistance	-	33,620	33,620	-
Lease and rental income	32,600	30,368	(2,232)	30,960
Other	12,000	14,290	2,290	11,025
Total revenues	<u>184,100</u>	<u>300,629</u>	<u>116,529</u>	<u>182,510</u>
Expenditures:				
Senior citizen center:				
Nutrition, transportation, and support services:				
Salaries	68,595	68,520	75	56,483
Employee benefits	37,421	37,496	(75)	43,482
Food	15,259	13,963	1,296	15,942
Supplies	-	-	-	427
Gas, oil, and grease	8,184	4,184	4,000	9,030
Utilities and telephone	4,000	4,000	-	7,440
Building and equipment repairs	-	29,612	(29,612)	-
Maintenance	-	525	(525)	4,466
Total nutrition, transportation, and support services	<u>133,459</u>	<u>158,300</u>	<u>(24,841)</u>	<u>137,270</u>
Operations:				
Salaries	35,970	40,552	(4,582)	45,520
Employee benefits	24,859	24,669	190	16,486
Food	4,741	4,464	277	968
Advertising	-	625	(625)	-
Minor tools and equipment	50	-	50	440
Inspections	1,566	2,150	(584)	1,961
Insurance	10,000	8,588	1,412	6,264
Supplies	2,050	1,126	924	1,114
Gas, oil, and grease	4,316	2,922	1,394	2,895
Building and equipment repairs	3,500	2,010	1,490	7,934
Utilities and telephone	20,890	34,197	(13,307)	23,826
Major equipment	-	88,233	(88,233)	-
Administrative overhead	48,280	9,960	38,320	47,979
Total operations	<u>156,222</u>	<u>219,496</u>	<u>(63,274)</u>	<u>155,387</u>
Total expenditures	<u>289,681</u>	<u>377,796</u>	<u>(88,115)</u>	<u>292,657</u>
Excess (deficiency) of revenues over expenditures	(105,581)	(77,167)	28,414	(110,147)
Other financing sources - transfers in	<u>105,581</u>	<u>114,477</u>	<u>8,896</u>	<u>71,787</u>
Net change in fund balance	<u>\$ -</u>	<u>37,310</u>	<u>37,310</u>	<u>(38,360)</u>
Fund balance (deficit) at beginning of year		(38,010)		350
Fund balance (deficit) at end of year		<u>\$ (700)</u>		<u>(38,010)</u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues - local assistance	\$ <u>-</u>	<u>400</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	400
Fund balance at beginning of year	<u>400</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>400</u></u>	<u><u>400</u></u>

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental:				
Federal	\$ 7,587	7,587	-	8,213
State of Alaska	-	15,420	15,420	24,775
Local assistance	83,556	84,642	1,086	76,791
Total revenues	<u>91,143</u>	<u>107,649</u>	<u>16,506</u>	<u>109,779</u>
Expenditures:				
Community services:				
Salaries	-	-	-	2,430
Employee benefits	-	-	-	1,102
Travel and training	1,000	1,000	-	2,000
Audio visual	1,000	3,794	(2,794)	2,468
Internet and phone	84,143	92,412	(8,269)	93,497
Summer reading program	2,500	1,465	1,035	1,965
Books	2,500	8,978	(6,478)	6,317
Total expenditures	<u>91,143</u>	<u>107,649</u>	<u>(16,506)</u>	<u>109,779</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ <u>-</u>		<u>-</u>

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

Years Ended June 30,	2017		Variance	2016
	Budget	Actual		Actual
Revenues:				
Intergovernmental:				
Federal	\$ -	-	-	21,209
State of Alaska	55,000	55,000	-	-
Local assistance	-	1,600	1,600	2,500
Total revenues	<u>55,000</u>	<u>56,600</u>	<u>1,600</u>	<u>23,709</u>
Expenditures:				
Public safety:				
Salaries	-	1,600	(1,600)	21,209
Gas, oil, grease	-	-	-	2,500
Equipment	55,000	55,000	-	-
Total expenditures	<u>55,000</u>	<u>56,600</u>	<u>(1,600)</u>	<u>23,709</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ <u>-</u>		<u>-</u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues:		
Local assistance	\$ <u>60,616</u>	<u>70,855</u>
Expenditures:		
Community services:		
Salaries	30,170	48,771
Overtime salaries	2,207	1,202
Employee benefits	1,703	2,822
Training	<u>26,536</u>	<u>15,767</u>
Total expenditures	<u>60,616</u>	<u>68,562</u>
Excess of revenues over expenditures	-	2,293
Fund balance at beginning of year	<u>2,293</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>2,293</u></u>	<u><u>2,293</u></u>

Non-Major Capital Project Funds

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

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

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

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

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

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

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

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

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

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

Water Improvement – this fund accounts for the use of funds for water improvement and related capital grant funds.

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>2017</u>	<u>2016</u>
Revenues:		
Local sources - other	\$ <u>10,192</u>	<u>1,920</u>
Expenditures - capital outlay - dock	<u>10,192</u>	<u>1,920</u>
Excess of revenues over expenditures	-	-
Other financing uses - transfers in	<u>-</u>	<u>155,469</u>
Net change in fund balance	-	155,469
Fund balance (deficit) at beginning of year	<u>-</u>	<u>(155,469)</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues:		
Intergovernmental -		
State of Alaska	\$ <u>12,175</u>	<u>27,284</u>
Expenditures - capital outlay - community services	<u>12,175</u>	<u>27,284</u>
Excess of revenues over expenditures	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues - investment income	\$ <u>315</u>	<u>69</u>
Expenditures - capital outlay - school building projects	<u>-</u>	<u>67,682</u>
Excess (deficiency) of revenues over expenditures	315	(67,613)
Other financing sources (uses):		
Transfer in	<u>-</u>	<u>2,607</u>
Net change in fund balance	315	(65,006)
Fund balance at beginning of year	<u>-</u>	<u>65,006</u>
Fund balance at end of year	\$ <u><u>315</u></u>	<u><u>-</u></u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public works	<u>22,299</u>	<u>156,479</u>
Excess (deficiency) of revenues over expenditures	(22,299)	(156,479)
Other financing sources - transfers in	<u>-</u>	<u>160,000</u>
Net change in fund balance	(22,299)	3,521
Fund balance at beginning of year	<u>155,172</u>	<u>151,651</u>
Fund balance at end of year	\$ <u><u>132,873</u></u>	<u><u>155,172</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>2017</u>	<u>2016</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public safety	<u>286,183</u>	<u>3,010</u>
Excess (deficiency) of revenues over expenditures	(286,183)	(3,010)
Other financing sources:		
Transfer in	<u>60,500</u>	<u>60,500</u>
Net change in fund balance	(225,683)	57,490
Fund balance at beginning of year	<u>673,757</u>	<u>616,267</u>
Fund balance at end of year	<u><u>\$ 448,074</u></u>	<u><u>673,757</u></u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues	\$ <u>-</u>	<u>-</u>
Expenditures - capital outlay - public safety	<u>-</u>	<u>2,941</u>
Excess (deficiency) revenues over expenditures	-	(2,941)
Fund balance at beginning of year	<u>28,885</u>	<u>31,826</u>
Fund balance at end of year	\$ <u><u>28,885</u></u>	<u><u>28,885</u></u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ -	39,808
Local sources - local assistance	-	104,911
Total revenues	<u>-</u>	<u>144,719</u>
Expenditures - capital outlay - public works	<u>-</u>	<u>265,719</u>
Excess (deficiency) of revenues over expenditures	-	(121,000)
Other financing sources - transfers in	<u>-</u>	<u>121,000</u>
Net change in fund balance	-	-
Fund balance at beginning of year	<u>172,044</u>	<u>172,044</u>
Fund balance at end of year	<u>\$ 172,044</u>	<u>172,044</u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues:		
Intergovernmental:		
Federal sources	\$ -	8,932
State of Alaska	<u>4,993</u>	<u>1,371</u>
Total revenues	<u>4,993</u>	<u>10,303</u>
 Expenditures - capital outlay - public safety	 <u>4,993</u>	 <u>10,303</u>
 Excess of revenues over expenditures	 -	 -
 Fund balance at beginning of year	 <u>-</u>	 <u>-</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 <u><u>-</u></u>

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

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues:		
Intergovernmental:		
State of Alaska	\$ 65,050	1,279
Local sources - local assistance	<u>24,998</u>	<u>-</u>
Total revenues	<u>90,048</u>	<u>1,279</u>
 Expenditures - capital outlay - public safety	 <u>90,048</u>	 <u>1,279</u>
 Excess of revenues over expenditures	 -	 -
 Fund balance at beginning of year	 <u>-</u>	 <u>-</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 <u><u>-</u></u>

**Non-Major
Debt Service Fund**

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

CITY OF DILLINGHAM, ALASKA

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental - State of Alaska	\$ 610,784	659,060	48,276	825,508
Expenditures:				
Principal	695,000	695,000	-	665,000
Interest	481,340	495,646	(14,306)	514,590
Total expenditures	1,176,340	1,190,646	(14,306)	1,179,590
Excess (deficiency) of revenues over expenditures	(565,556)	(531,586)	33,970	(354,082)
Other financing sources (uses):				
Proceeds from bond refunding	8,425,000	8,425,000	-	
Premium on bond refunding	1,383,708	1,383,708	-	
Payment to bond refunding escrow agent	(9,734,429)	(9,734,429)	-	
Bond refunding issuance costs	(74,279)	(74,279)	-	
Transfer in	565,556	531,586	(33,970)	354,082
Total other financial sources (uses)	565,556	531,586	(33,970)	354,082
Net change in fund balance	\$ -	-	-	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ -		-

Non-Major Permanent Fund

Permanent funds are legally restricted to the extent that only earnings and not principal may be used for purposes that support the City's programs.

Mary Carlson Estate Permanent Fund – this fund was established to account for assets bequeathed by Mary Carlson to be used for museum and literary purposes.

CITY OF DILLINGHAM, ALASKA
Mary Carlson Estate Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance

<i>Years Ended June 30,</i>	<u>2017</u>	<u>2016</u>
Revenues:		
Local sources:		
Investment income (loss)	\$ (149)	7,887
Other	788	6,409
Total revenues	<u>639</u>	<u>14,296</u>
Expenditures:		
Community services:		
Salaries and benefits	-	223
Utilities	1,057	861
Administrative overhead	4,488	520
Building repairs	41,367	34
Advertising	400	908
Insurance	859	626
Postage	1,198	-
Total expenditures	<u>49,369</u>	<u>3,172</u>
Excess (deficiency) of revenues over expenditures	(48,730)	11,124
Fund balance at beginning of year	<u>393,280</u>	<u>382,156</u>
Fund balance at end of year	<u>\$ 344,550</u>	<u>393,280</u>

CITY OF DILLINGHAM, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2017

	Grant Number	Total Grant Award	State Share of Expenditures
DEPARTMENT OF ADMINISTRATION			
Direct Programs:			
* State PERS Relief	none	\$ 131,170	131,170
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT			
Direct Programs:			
* Debt Service - School Bonds	none	659,060	659,060
Public Library Assistance	none	6,900	6,900
Alaska State library	none	750	750
Alaska OWL Program	none	7,770	7,770
Total Department of Education and Early Development		<u>674,480</u>	<u>674,480</u>
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT			
Direct Programs:			
* State Revenue Sharing	none	132,833	132,833
Wastewater Treatment Plant Upgrades	13-DC-516	2,280,000	2,617
E911 Critical System Upgrade	14-DC-046	200,000	4,993
Library & Museum Repair	15-RR-052	84,942	12,175
Total Department of Commerce, Community and Economic Development		<u>2,697,775</u>	<u>152,618</u>
DEPARTMENT OF REVENUE			
Direct Programs:			
Fisheries Business Tax	none	36,610	36,610
* Raw Fish Tax	none	167,849	167,849
Electric and Telephone Co-op Tax	none	62,525	62,525
Liquor Licenses	none	5,200	5,200
Motor Vehicle Tax	none	32,917	32,917
Total Department of Revenue		<u>305,101</u>	<u>305,101</u>
DEPARTMENT OF ENVIRONMENTAL CONSERVATION			
Direct Programs:			
* Wastewater System Improvements and Upgrades	MMG# 28307	3,000,000	1,139,861
Wastewater System Improvements	MMG# 28308	2,140,119	65,050
Total Department of Environmental Conservation		<u>5,140,119</u>	<u>1,204,911</u>
DEPARTMENT OF HEALTH AND SOCIAL SERVICES			
Direct Programs:			
Nutrition, Transportation and Support Services	607-309-1707	36,420	36,420
Passed through Southern Region EMS Council:			
Code Blue Phase 16	none	55,000	55,000
ALASKA MENTAL HEALTH TRUST AUTHORITY			
Direct:			
Repairs at the Dillingham Senior Center AH16	GIFTS ID: 7172	25,000	525
DEPARTMENT OF TRANSPORTATION			
Direct Program:			
* Senior Center Van Purchase	2572-17-0100	84,582	84,582
Senior Center Van Purchase	2572-17-0200	3,651	3,651
		<u>88,233</u>	<u>88,233</u>
Total State Financial Assistance		<u>\$ 9,153,298</u>	<u>2,648,458</u>

CITY OF DILLINGHAM, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of City of Dillingham, Alaska under programs of the State of Alaska for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Dillingham, Alaska, it is not intended to and does not present the basic financial statements of City of Dillingham, Alaska.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Subrecipients

No state funds were passed through to Subrecipients.

Note 4. Major Programs

* denotes a major program for compliance audit purposes.

Note 5. Component Unit

The City of Dillingham, Alaska basic financial statements include \$7,561,501 of State of Alaska funds expended for the Dillingham City School District, a component unit of the City of Dillingham, Alaska. These monies are excluded from this Schedule. These monies were subjected to State of Alaska single audit procedures and separate reports on compliance and internal control dated November 1, 2017 were issued for the Dillingham City School District.

COMPLIANCE REPORTS

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Dillingham, Alaska's basic financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control over Financial Reporting

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

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

Honorable Mayor and City Council
City of Dillingham, Alaska

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

Compliance and Other Matters

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

Purpose of this Report

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



Anchorage, Alaska
March 29, 2018

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited City of Dillingham, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Dillingham, Alaska's major state programs for the year ended June 30, 2017. City of Dillingham, Alaska's major state programs are identified in the accompanying schedule of state financial assistance.

The City of Dillingham, Alaska's basic financial statements include the operations of its component unit, Dillingham City School District, which received \$7,561,501 in state awards, which is not included in the schedule of state financial assistance during the year ended June 30, 2017. Our audit, described below, did not include the operations of Dillingham City School District because it was subjected to a separate audit in accordance with the Guide.

Management's Responsibility

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

Auditor's Responsibility

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

Honorable Mayor and City Council
City of Dillingham, Alaska

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

Opinion on Each Major State Program

In our opinion, City of Dillingham, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

Honorable Mayor and City Council
City of Dillingham, Alaska

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

Altman, Rogers & Co.

Anchorage, Alaska
March 29, 2018

CITY OF DILLINGHAM, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Significant deficiency(ies) identified? Yes X None reported

Material weakness(es) identified? Yes X No

Noncompliance material to financial statements noted? Yes X No

State Awards

Internal control over major programs:

Significant deficiency(ies) identified? Yes X None reported

Material weakness(es) identified? Yes X No

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

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

Section II – Financial Statement Findings

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

Section III – State Award Findings and Questioned Costs

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

Section IV – Prior Year State Award Findings and Questioned Costs

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