



CITY OF
DILLINGHAM
ALASKA

Presentation of Financial Statements

June 30, 2016

Independent Auditor's Report - excerpt

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Dillingham, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

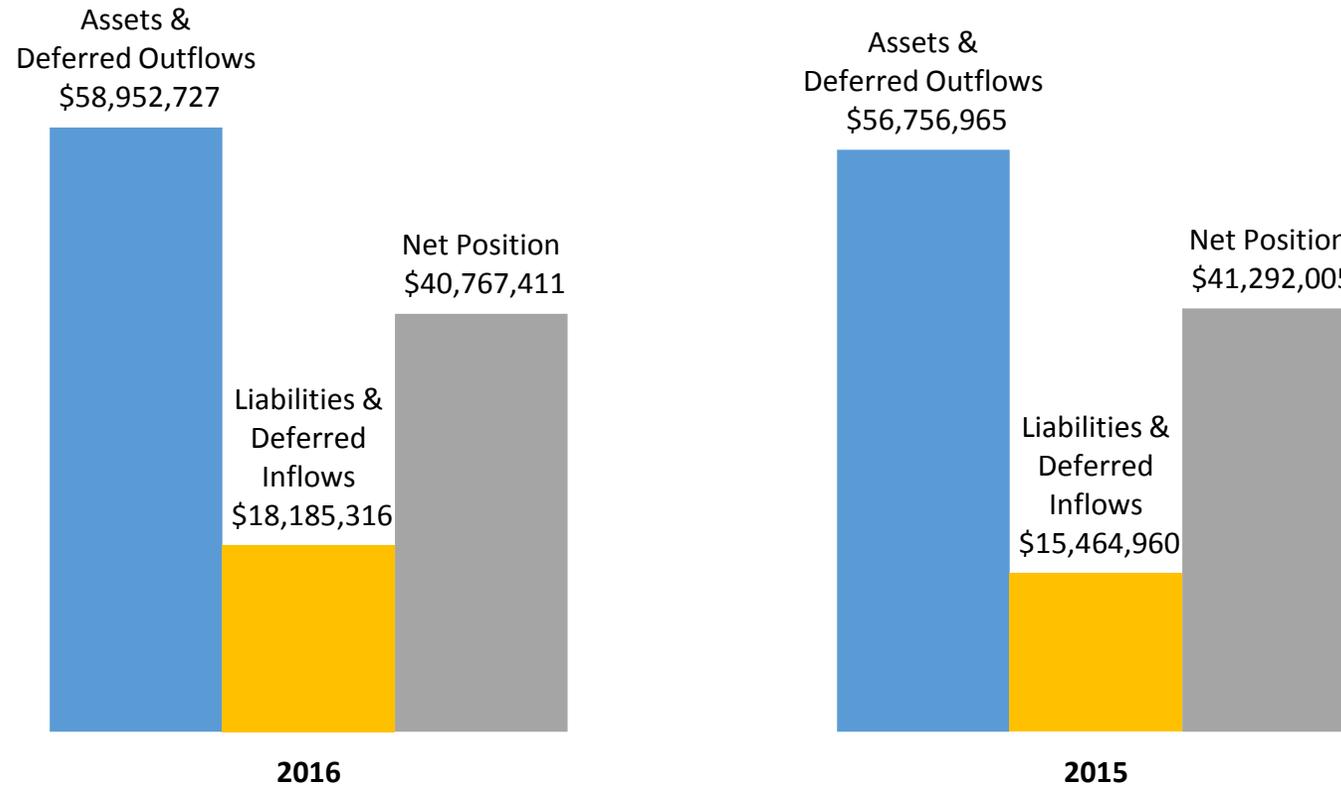
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dillingham, Alaska, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Dock Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Financial Position – Government Wide

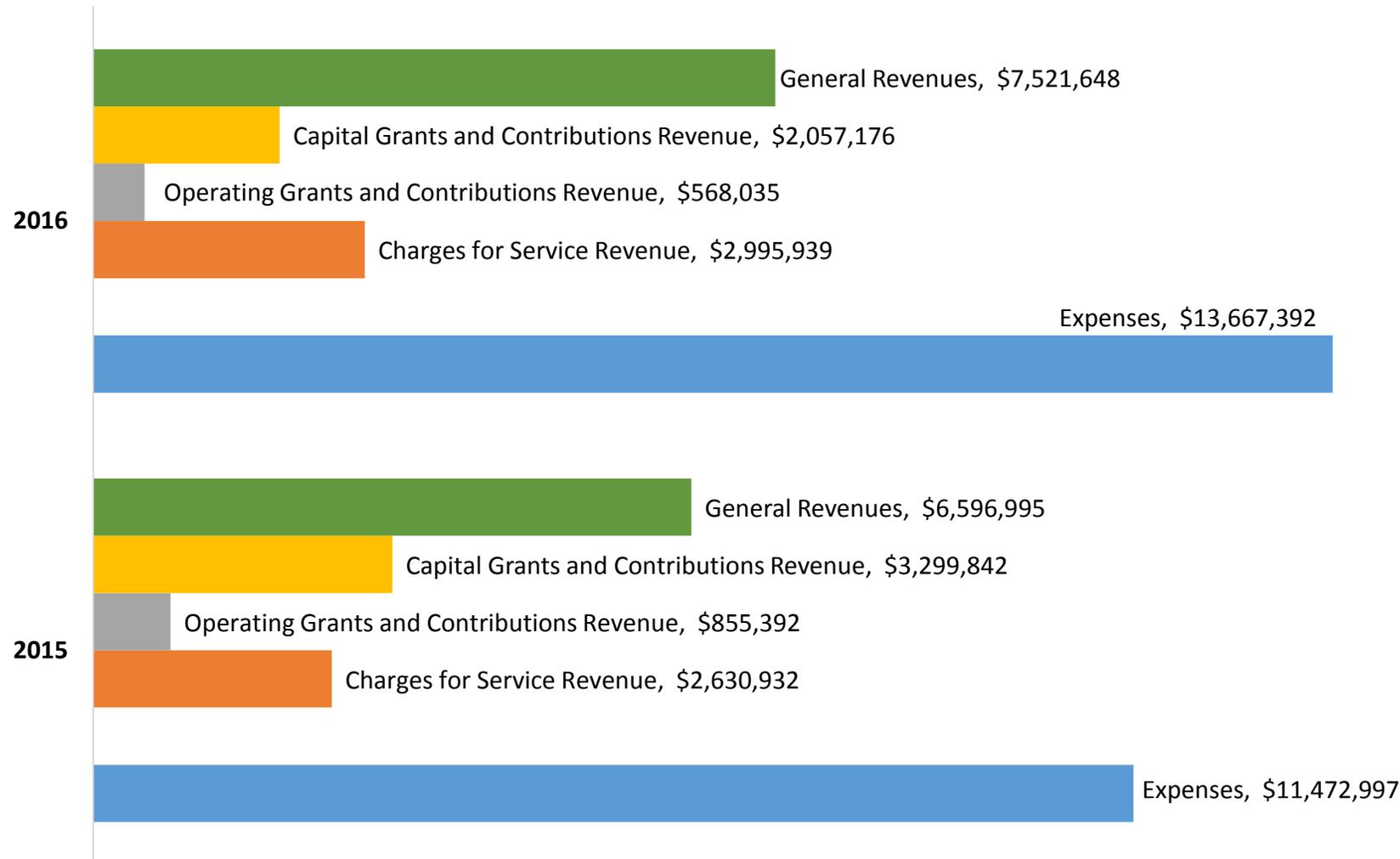


Changes in Assets
 Overall increase of \$2,195,762
 -Total cash is down by \$503k
 -A/R is up by \$612k
 -Capital assets, net and CIP up by \$951k
 -Pension deferrals up \$751k

Changes in Liabilities
 Overall increase of \$2,720,356
 -Pension deferral and liability increased by \$1.8m
 -Leases payable increased by \$1.1m

Change in Net Position
 Overall decrease of \$524,594
 -Unrestricted decrease of \$1.3m

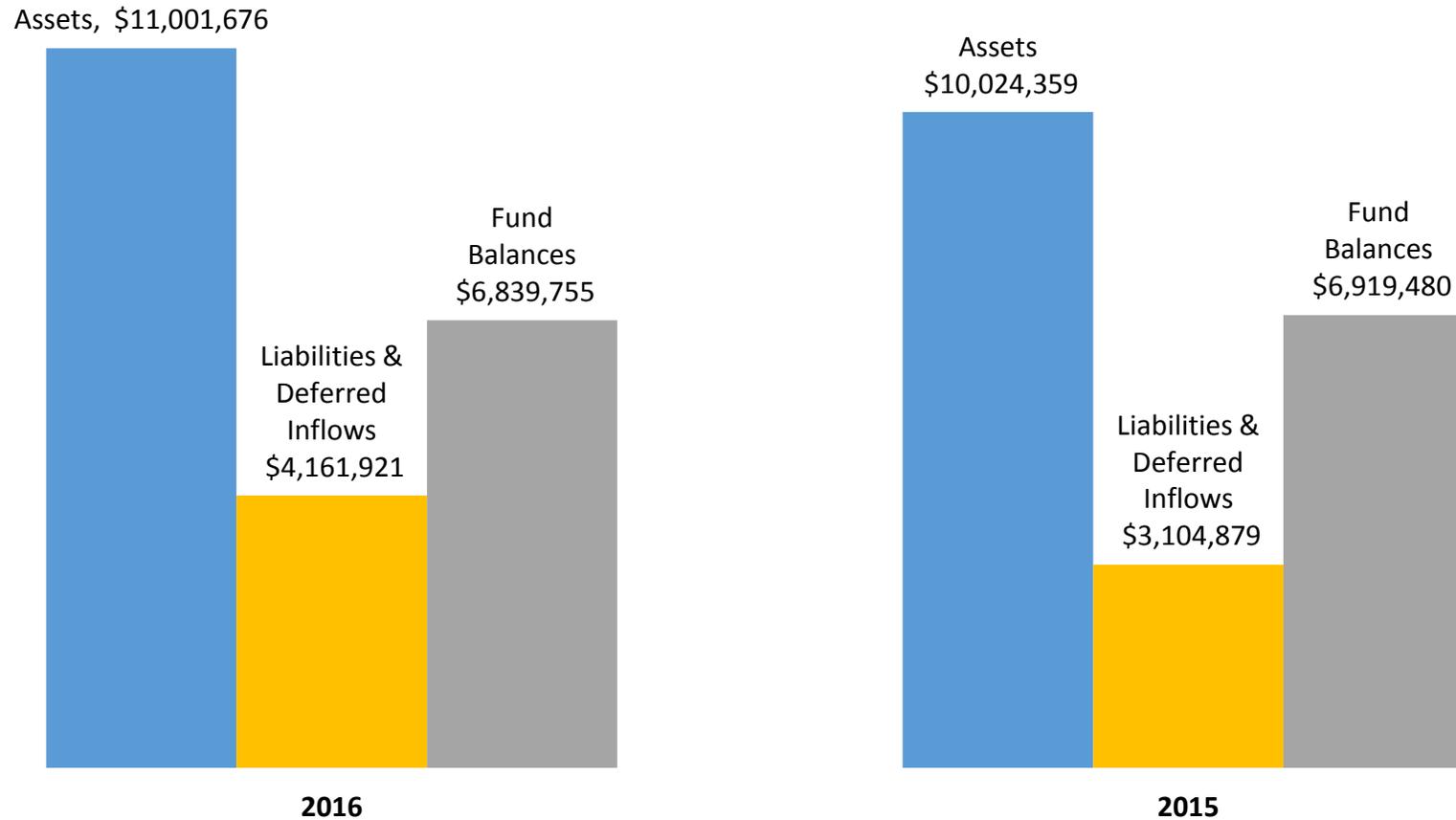
Statement of Activities – Government Wide



Revenues
 -Revenues decreased \$240,363 in total

Expenses
 -Expenses increased in total by \$2,194,395
 -\$1,059m of this is due to an increase in pension deferrals and change in related liability

Governmental Funds – Fund Financials

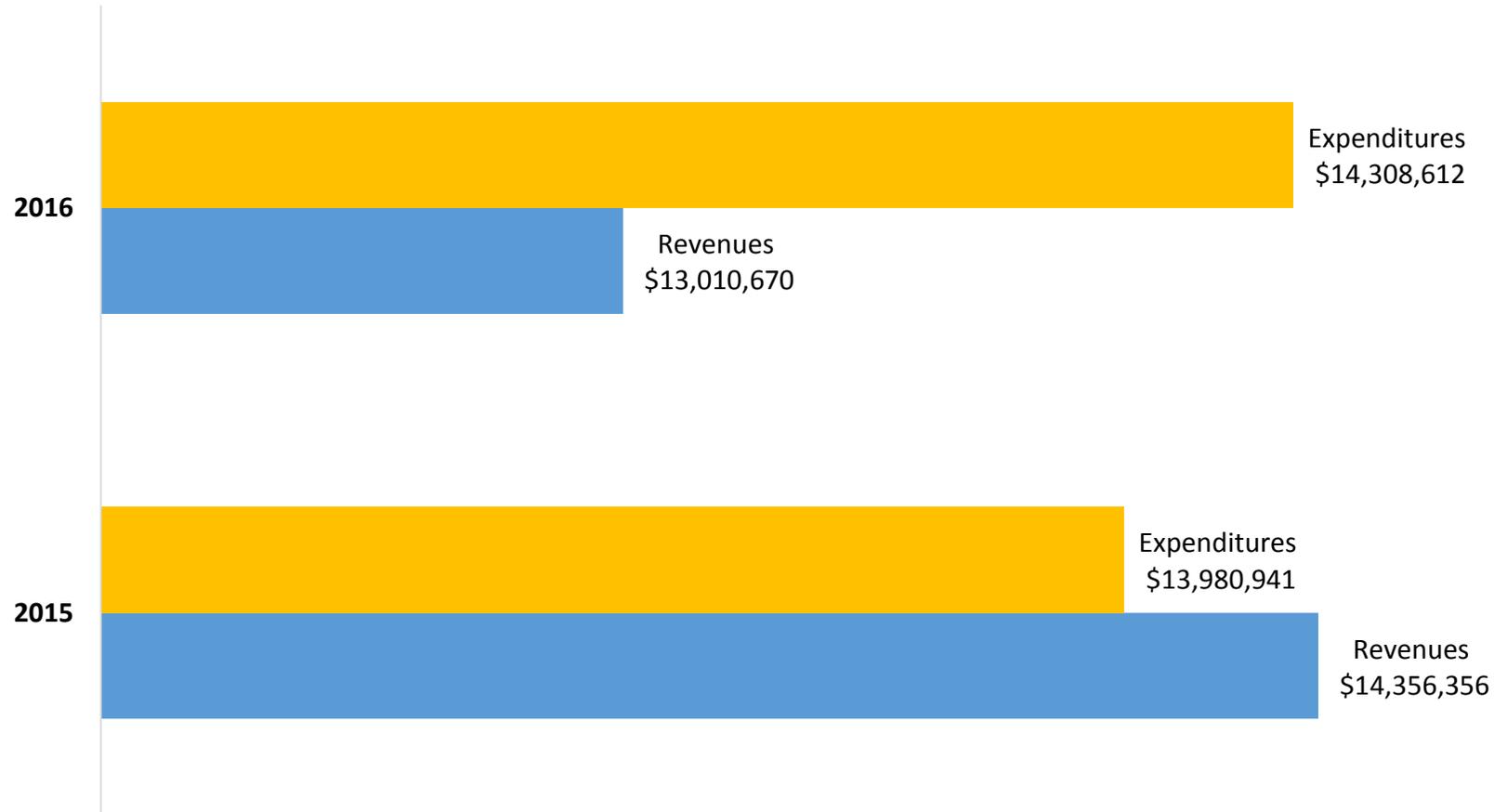


Assets
 Overall increased \$977,317
 -Total cash decreased \$503k
 -Net AR increased 612k
 -Prepays increased \$385k (due to timing of payment)

Liabilities & Deferred Inflows
 Overall increased \$1,057,042
 -Accounts and payroll payable increased \$496k
 -Delinquent AR decreased \$71k

Fund Balances
 Overall decrease of \$79,725
 -Unassigned decreased \$469k

Revenues & Expenditures – Fund Financials



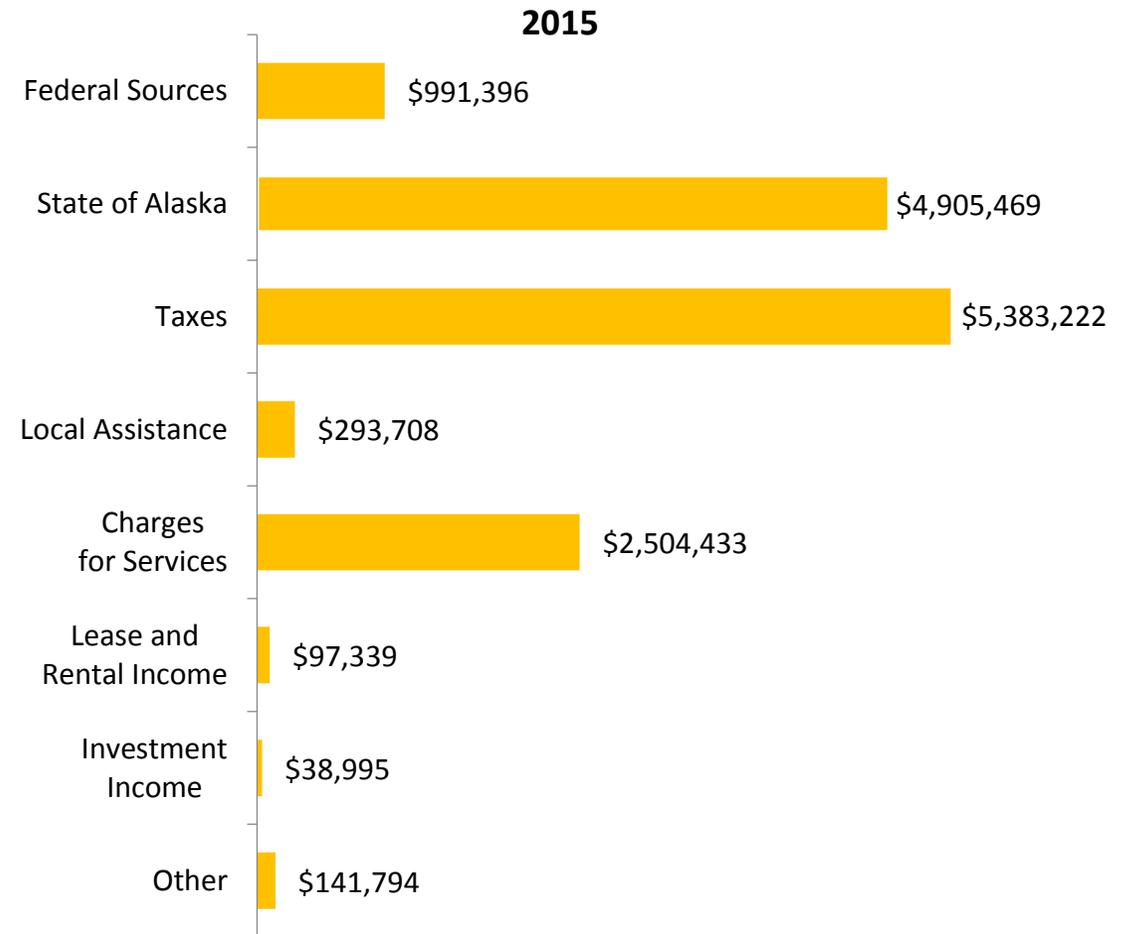
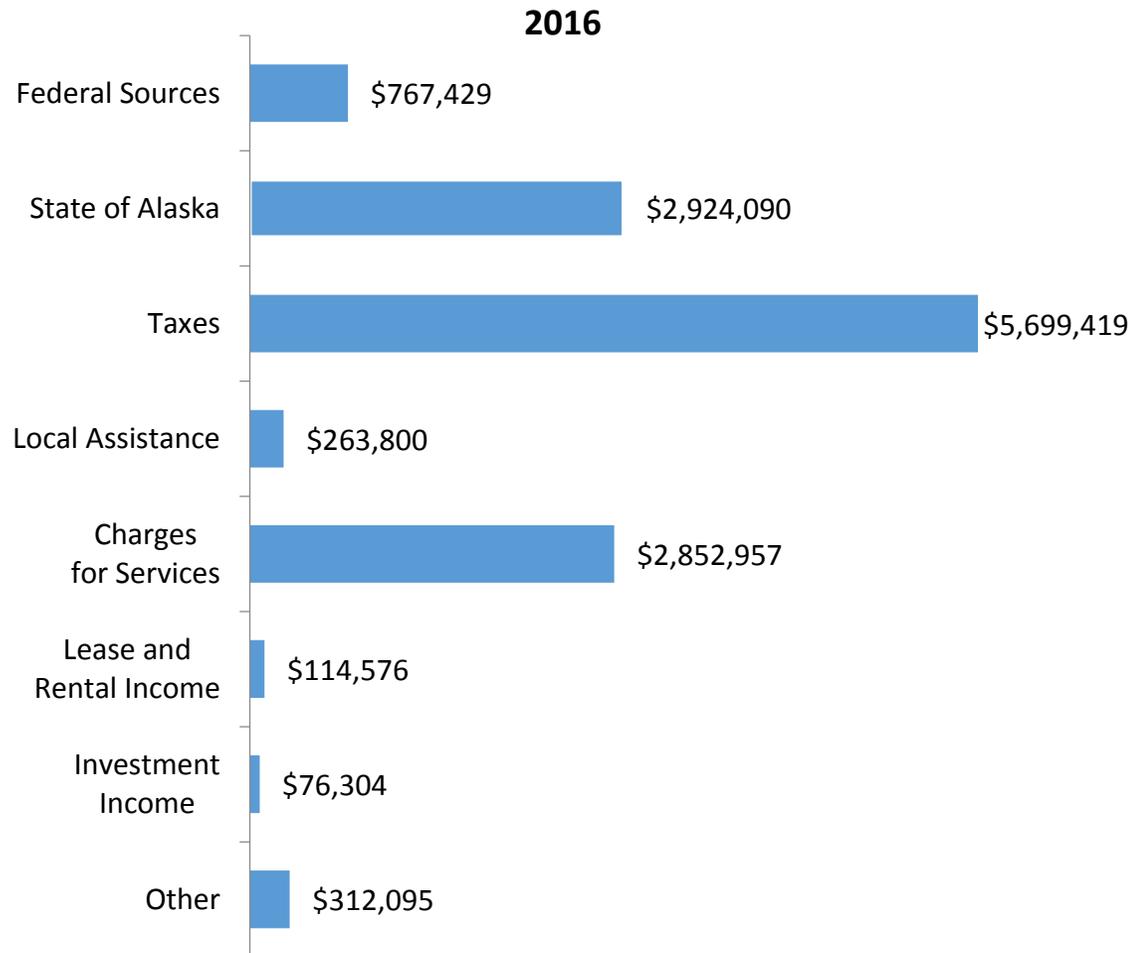
Revenues

Revenues decreased \$1,345,686
-State of Alaska revenue decreased by \$1.98m

Expenses

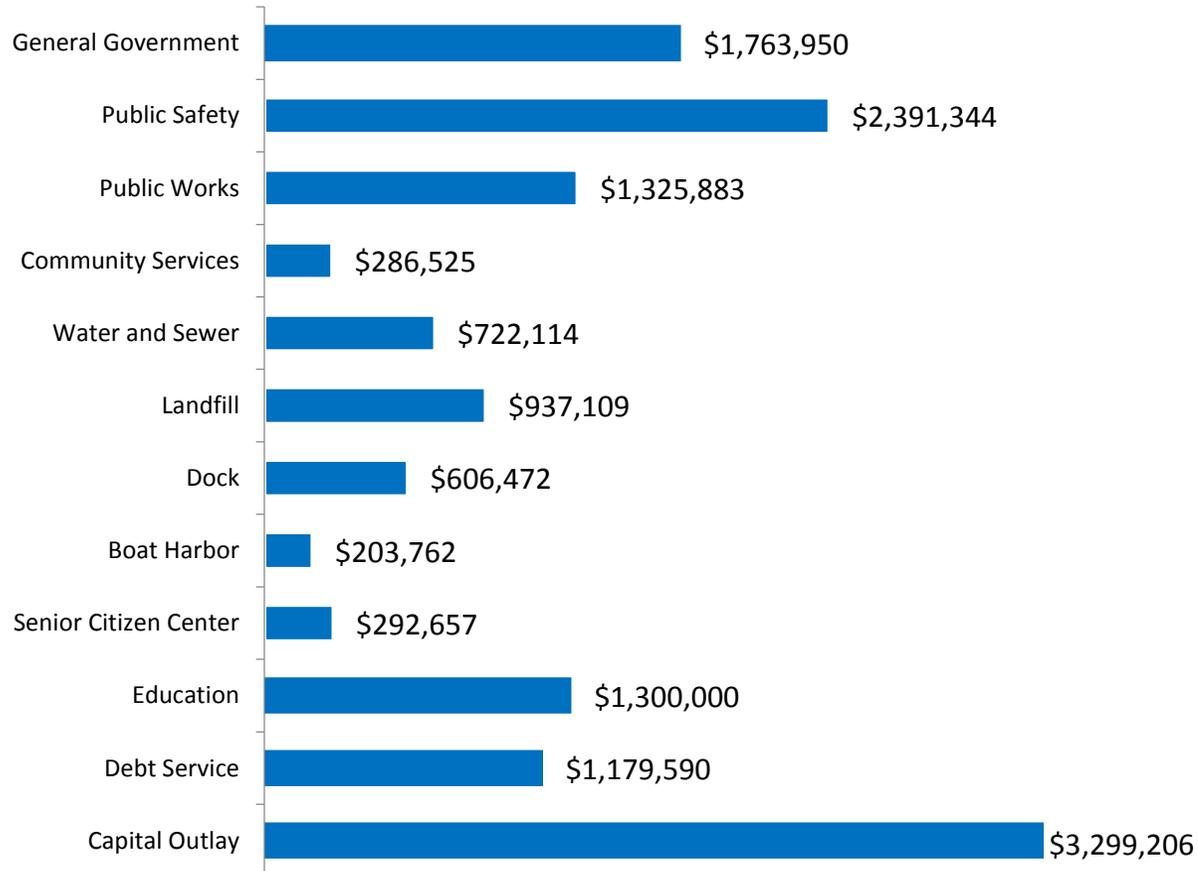
Expenses increased by \$327,671

Revenue Detail – Fund Financial

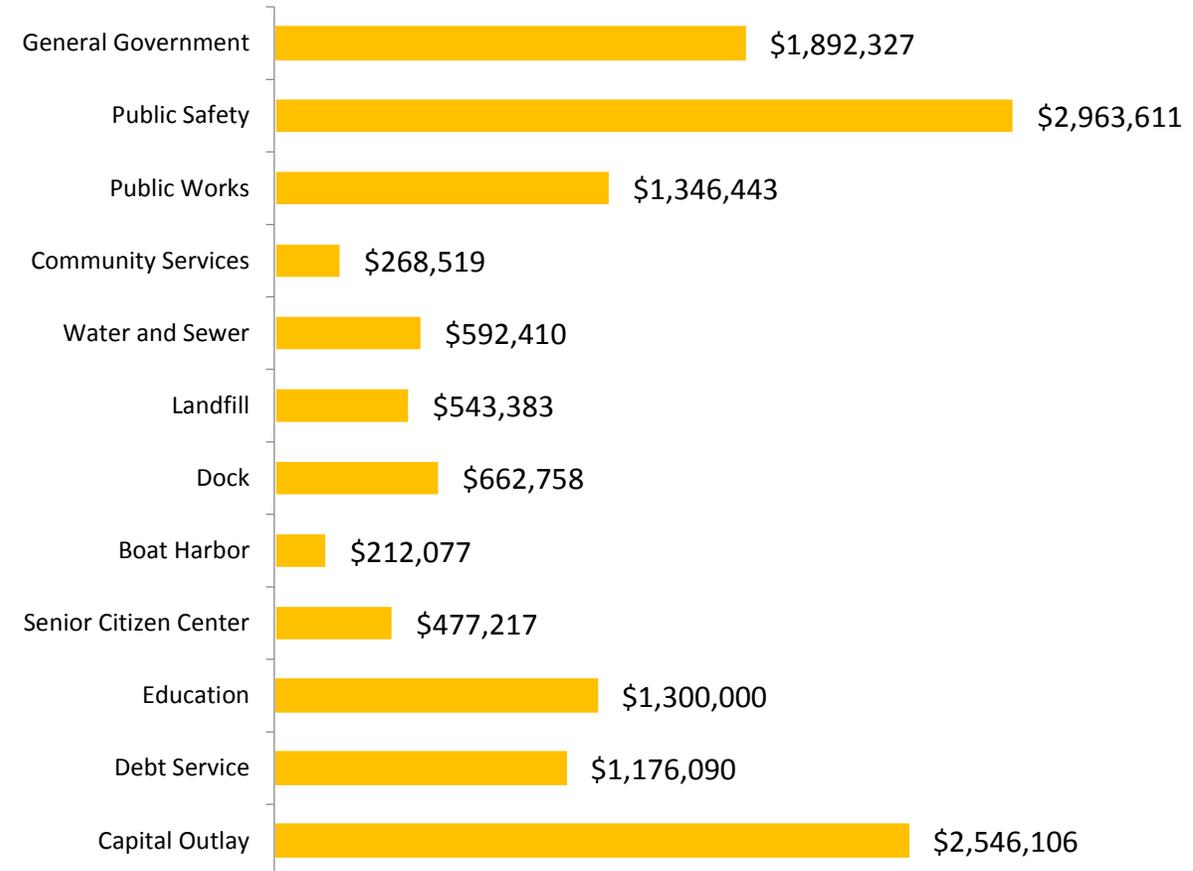


Expenditures Detail – Fund Financial

2016



2015



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 - excerpt

Internal Control over Financial Reporting

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

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

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

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.

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016				
Federal Grant Title	Grant Number/ Pass-through Entity Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expenditures
DEPARTMENT OF AGRICULTURE				
Passed through State of Alaska Department of Natural Resources Division of Forestry Volunteer Fire Assistance	none	10.664	\$ 8,932	8,932
DEPARTMENT OF THE INTERIOR				
Passed through State of Alaska Department of Commerce, Community and Economic Development: Payment in Lieu of Taxes	none	15.226	443,838	443,838
DEPARTMENT OF JUSTICE				
Passed through State of Alaska Department of Public Safety: Justice Assistance Grant	16-202	16.738	35,000	21,209
DEPARTMENT OF HOMELAND SECURITY				
Passed through State of Alaska Department of Administration Donation of Federal Surplus Property	none	39.003	187,081	187,081
DEPARTMENT OF MUSEUM AND LIBRARY SERVICES				
Passed through Curyung Tribal Council: Native American Library Services Basic Grant	NG-05-15-0210-15	45.311	7,000	6,213
Passed through State of Alaska Department of Education and Early Development: Alaska State Library- Continuing Education	none	45.310	2,000	2,000
Total Department of Museum and Library Services			9,000	8,213
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Alaska Native Tribal Health Consortium Wastewater project - Sewer Lagoon	AN 15-N3E	66.458	634,483	10,413
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State of Alaska Department of Health and Social Services: Aging Cluster:				
Nutrition, Transportation and Support Service	607-309-1607	93.044	47,386	47,386
Nutrition, Transportation and Support Service	607-309-1607	93.045	35,747	35,747
Nutrition Services Incentive Program	none	93.053	4,610	4,610
Total Aging Cluster			87,743	87,743
Total Expenditures of Federal Awards			\$ 1,406,077	\$ 767,429

Schedule of State Financial Assistance Year Ended June 30, 2016			
	Grant Number	Total Grant Award	State Share of Expenditures
DEPARTMENT OF ADMINISTRATION			
Direct Programs:			
* State PERS Relief	none	\$ 167,034	\$ 167,034
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT			
Direct Programs:			
* Debt Service - School Bonds	none	825,508	825,508
Public Library Assistance	none	6,650	6,650
Alaska OWL Program	none	18,125	18,125
Total Department of Education and Early Development		850,283	850,283
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT			
Direct Programs:			
* State Revenue Sharing	none	202,035	202,035
* Wastewater Treatment Plant Upgrades	13-DC-516	2,280,000	282,302
E911 Critical System Upgrade	14-DC-046	200,000	822
Landfill Regulatory Compliance Improvements	14-DC-047	1,900,000	39,808
Library & Museum Repair	15-RR-052	84,942	27,284
Total Department of Commerce, Community and Economic Development		4,666,977	552,251
DEPARTMENT OF REVENUE			
Direct Programs:			
Fisheries Business Tax	none	27,135	27,135
* Raw Fish Tax	none	433,564	433,564
Electric and Telephone Co-op Tax	none	65,540	65,540
Liquor Licenses	none	4,000	4,000
Motor Vehicle Tax	none	28,104	28,104
Total Department of Revenue		558,343	558,343
DEPARTMENT OF ENVIRONMENTAL CONSERVATION			
Direct Programs:			
* Wastewater System Improvements and Upgrades	28307	3,000,000	747,025
Wastewater System Improvements	28308	2,140,119	1,279
Total Department of Environmental Conservation		5,140,119	748,304
DEPARTMENT OF HEALTH AND SOCIAL SERVICES			
Direct Programs:			
Nutrition, Transportation and Support Services	607-309-1607	47,326	47,326
DEPARTMENT OF CORRECTIONS			
Direct Programs:			
Regional and Community Jails Program Capital Projects	none	20,000	549
Total State Financial Assistance		\$ 11,450,082	\$ 2,924,090

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

Report on Compliance for Each Major Federal Program

We have audited the City of Dillingham, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Dillingham, Alaska's major federal programs for the year ended June 30, 2016. City of Dillingham, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

The City of Dillingham, Alaska's basic financial statements include the operations of its component unit, Dillingham City School District, which received \$1,922,355 in federal awards, which is not included in the schedule for the year ended June 30, 2016. Our audit, described below, did not include the operations of Dillingham City School District because it was subjected to a separate audit in accordance with *Uniform Guidance*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dillingham, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dillingham, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Dillingham, Alaska, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

2016 Federal Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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

Section IV – Summary of Prior Audit Findings

Finding 2015-001

Internal Control over Accounts Payable

Significant Deficiency

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

Status: This finding has been resolved.

Finding 2015-002

Internal Control over Accounts Payable Accrual

Significant Deficiency

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

Status: This finding has been resolved.

Finding 2015-003

Internal Control over Financial Reporting and Year End Close

Significant Deficiency

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

Status: This finding has been resolved.

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

Report on Compliance for Each Major State Program

We have audited City of Dillingham, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Dillingham, Alaska's major state programs for the year ended June 30, 2016. City of Dillingham, Alaska's major state programs are identified in the accompanying schedule of state financial assistance.

The City of Dillingham, Alaska's basic financial statements include the operations of its component unit, Dillingham City School District, which received \$7,402,218 in state awards, which is not included in the schedule for the year ended June 30, 2016. Our audit, described below, did not include the operations of Dillingham City School District because it was subjected to a separate audit in accordance with the Guide.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, City of Dillingham, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

2016 State Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

See Federal Schedule of Findings and Questioned Costs

Section III – State Award Findings and Questioned Costs

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

Section IV – Prior Year State Award Findings and Questioned Costs

Finding 2015-004

Internal Control over Accounts Payable

Significant Deficiency

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

Project Title: Landfill Regulatory Compliance Improvements

Grant No.: 14-DC-047

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

Status: This finding has been resolved.