CITY OF SAND POINT, ALASKA

Basic Financial Statements
and Supplementary Information

Year Ended June 30, 2011

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CITY OF SAND POINT, ALASKA

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CITY OF SAND POINT, ALASKA

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Mikunda, Cottrell & Co., Inc.
Certified Public Accountants & Consultants

An Independently Owned Member
McGLADREY ALLIANCE | McGladrey

Independent Auditor's Report

Honorable Mayor and City Council
City of Sand Point, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In 2011, the City conducted a detailed review of its business-type capital assets in order to clear a qualified opinion on the financial statements. As a result of this review, opening balance net assets of the business-type activities and the Water and Sewer Enterprise Fund have been increased by $1,466,180 to reflect the addition of these previously unaudited capital assets.

In addition, in 2011 certain errors were noted with respect to accounts receivable for sales tax and fish tax. Opening fund balance has been increased by $161,408 to reflect this correction.

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Honorable Mayor and City Council
City of Sand Point, Alaska

City of Sand Point has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sand Point's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Mikunda, Cottrell & Co.

Anchorage, Alaska
January 23, 2012

BASIC FINANCIAL STATEMENTS

Exhibit A-1

CITY OF SAND POINT, ALASKA
Statement of Net Assets
June 30, 2011

		Govern-mental Activities	Business-type Activities	Total
Assets				
Cash and investments	$	1,323,292	1,121,896	2,445,188
Accounts receivable (net)		115,065	103,587	218,652
Prepaid items		17,411	-	17,411
Investment in Southwest Governments, LLC		309,879	-	309,879
Internal balances		798,932	(798,932)	-
Capital assets not being depreciated		716,653	63,810	780,463
Other capital assets, net of accumulated depreciation		6,971,353	4,745,353	11,716,706
Total assets	$	10,252,585	5,235,714	15,488,299
Liabilities				
Liabilities:				
Accounts payable		126,079	29,787	155,866
Accrued liabilities		54,233	-	54,233
Unearned revenue		4,681	-	4,681
Noncurrent liabilities:				
Due within one year - accrued leave		58,307	13,018	71,325
Due in more than one year - landfill closure costs payable		-	65,170	65,170
Total liabilities		243,300	107,975	351,275
Net Assets				
Invested in capital assets		7,688,006	4,809,163	12,497,169
Unrestricted		2,321,279	318,576	2,639,855
Total net assets		10,009,285	5,127,739	15,137,024
Total liabilities and net assets	$	10,252,585	5,235,714	15,488,299

See accompanying notes to basic financial statements.

Exhibit A-2

CITY OF SAND POINT, ALASKA
Statement of Activities
Year Ended June 30, 2011

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Change in Net Assets: Governmental Activities	Net (Expense) Revenue and Change in Net Assets: Business-type Activities	Total
Governmental activities:							
General government	$ 1,161,989	94,734	8,495	-	(1,058,760)	-	(1,058,760)
Parks and recreation	35,567	-	-	-	(35,567)	-	(35,567)
Public safety	543,698	-	63,700	-	(479,998)	-	(479,998)
Public works	1,067,694	137,259	-	-	(930,435)	-	(930,435)
Health clinic	31,953	33,635	-	-	1,682	-	1,682
Community development	40,180	29,352	-	-	(10,828)	-	(10,828)
Total governmental activities	2,881,081	294,980	72,195	-	(2,513,906)	-	(2,513,906)
Business-type activities:							
Bingo	426,692	446,743	-	-	-	20,051	20,051
Boat harbor	513,858	433,555	-	-	-	(80,303)	(80,303)
Refuse collection	251,997	171,053	-	-	-	(80,944)	(80,944)
Water and sewer	407,231	180,045	-	-	-	(227,186)	(227,186)
Total business-type activities	1,599,778	1,231,396	-	-	-	(368,382)	(368,382)
Total	$ 4,480,859	1,526,376	72,195	-	(2,513,906)	(368,382)	(2,882,288)
General revenues:							
Taxes:							
Sales taxes				$	729,740	-	729,740
Local raw fish taxes					730,531	-	730,531
Accommodations taxes					9,045	-	9,045
Grants and entitlements not restricted to a specific purpose					435,728	30,233	465,961
Investment income					13,668	-	13,668
Total general revenues					1,918,712	30,233	1,948,945
Change in net assets					(595,194)	(338,149)	(933,343)
Net assets at beginning of year as restated					10,604,479	5,465,888	16,070,367
Net assets at end of year				$	10,009,285	5,127,739	15,137,024

See accompanying notes to basic financial statements.

Exhibit B-1

CITY OF SAND POINT, ALASKA
Governmental Funds
Balance Sheet
June 30, 2011

	Major Fund		Total
	General	Nonmajor Funds	Governmental Funds
Assets			
Cash and investments	$ 1,188,259	135,033	1,323,292
Receivables:			
Sales tax	50,159	-	50,159
Fish tax	59,813	-	59,813
Other	5,093	-	5,093
Prepaid items	17,411	-	17,411
Investment in Southwest Governments, LLC	309,879	-	309,879
Due from other funds	329,141	-	329,141
Advance to other funds	501,930	-	501,930
Total assets	$ 2,461,685	135,033	2,596,718
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 85,501	40,578	126,079
Deferred revenue	1,950	2,731	4,681
Accrued liabilities	54,233	-	54,233
Due to other funds	-	32,139	32,139
Total liabilities	141,684	75,448	217,132
Fund balances:			
Nonspendable:			
Prepaid items	17,411	-	17,411
Investment in Southwest Governments, LLC	309,879	-	309,879
Advance to other funds	501,930	-	501,930
Assigned:			
Silver Salmon Derby	-	24,387	24,387
Clinic	-	74,559	74,559
Unassigned (deficit)	1,490,781	(39,361)	1,451,420
Total fund balances	2,320,001	59,585	2,379,586
Total liabilities and fund balances	$ 2,461,685	135,033	2,596,718

See accompanying notes to basic financial statements.

Exhibit B-2

CITY OF SAND POINT, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds		$ 2,379,586
Total net assets reported for governmental activities in the Statement of Net Assets 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:		
Construction in progress	$ 716,653	
Buildings	8,485,944	
Improvements other than buildings	48,548	
Equipment and vehicles	1,786,826	
Total capital assets	11,037,971	
Accumulated depreciation	(3,349,965)	
Total capital assets, net		7,688,006
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. This liability consists of accrued leave.		(58,307)
Total net assets of governmental activities		$ 10,009,285

See accompanying notes to basic financial statements.

Exhibit B-3

CITY OF SAND POINT, ALASKA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	Major Fund		Total
	General	Nonmajor Funds	Governmental Funds
Revenues:			
Taxes	$ 1,469,316	-	1,469,316
State of Alaska	442,028	-	442,028
Federal government	63,700	33,635	97,335
Investment income	13,668	-	13,668
Other revenues	234,188	29,352	263,540
Total revenues	2,222,900	62,987	2,285,887
Expenditures:			
Current:			
General government	777,350	-	777,350
Parks and recreation	27,631	-	27,631
Public safety	504,063	-	504,063
Public works	1,002,742	-	1,002,742
Health clinic	-	31,953	31,953
Community development	15,498	31,065	46,563
Capital outlay	-	189,122	189,122
Total expenditures	2,327,284	252,140	2,579,424
Excess of revenues over (under) expenditures	(104,384)	(189,153)	(293,537)
Other financing sources (uses):			
Transfers in	221,932	149,761	371,693
Transfers out	(149,761)	(221,932)	(371,693)
Net other financing sources (uses)	72,171	(72,171)	-
Net change in fund balances	(32,213)	(261,324)	(293,537)
Beginning fund balances, as restated	2,352,214	320,909	2,673,123
Ending fund balances	$ 2,320,001	59,585	2,379,586

See accompanying notes to basic financial statements.

Exhibit B-4

CITY OF SAND POINT, ALASKA

Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2011

Net change in fund balances - total governmental funds	$ (293,537)
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($538,632) exceeded capital outlays ($240,522) in the current year.	(298,110)
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 increase in accrued leave.	(3,547)
Change in net assets of governmental activities	$ (595,194)

See accompanying notes to basic financial statements.

Exhibit C-1

CITY OF SAND POINT, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 1,515,100	1,515,100	1,469,316	(45,784)
State of Alaska	473,246	473,246	442,028	(31,218)
Federal government	20,000	20,000	63,700	43,700
Investment income	3,500	3,500	13,668	10,168
Other revenues	112,500	112,500	234,188	121,688
Total revenues	2,124,346	2,124,346	2,222,900	98,554
Expenditures - current:				
General government	698,614	698,614	777,350	(78,736)
Parks and recreation	50,504	50,504	27,631	22,873
Public safety	418,889	418,889	504,063	(85,174)
Public works	772,203	772,203	1,002,742	(230,539)
Community development	-	-	15,498	(15,498)
Total expenditures	1,940,210	1,940,210	2,327,284	(387,074)
Excess of revenues over (under) expenditures	184,136	184,136	(104,384)	(288,520)
Other financing sources (uses):				
Transfers in	-	-	221,932	221,932
Transfers out	(157,900)	(157,900)	(149,761)	8,139
Net other financing sources (uses)	(157,900)	(157,900)	72,171	230,071
Net change in fund balance	$ 26,236	26,236	(32,213)	(58,449)
Beginning fund balance, as restated			2,352,214	
Ending fund balance			$ 2,320,001	

See accompanying notes to basic financial statements.

Exhibit D-1

CITY OF SAND POINT, ALASKA
Enterprise Funds
Statement of Net Assets
June 30, 2011

	Major Funds				Total
	Bingo	Boat Harbor	Refuse Collection	Water and Sewer	Enterprise Funds
Assets					
Current assets:					
Cash and investments	$ 118,972	561,594	441,330	-	1,121,896
Accounts receivable, net	-	38,983	30,872	33,732	103,587
Total current assets	118,972	600,577	472,202	33,732	1,225,483
Capital assets:					
Buildings and improvements	-	491,732	12,000	4,533,004	5,036,736
Equipment and vehicles	28,493	596,266	493,383	160,937	1,279,079
Sanitary landfill	-	-	1,996,889	-	1,996,889
Construction in progress	-	63,810	-	-	63,810
Less accumulated depreciation	(20,600)	(397,311)	(1,264,972)	(1,884,468)	(3,567,351)
Net capital assets	7,893	754,497	1,237,300	2,809,473	4,809,163
Total assets	$ 126,865	1,355,074	1,709,502	2,843,205	6,034,646
Liabilities and Net Assets					
Liabilities:					
Current liabilities:					
Accounts payable	56	10,005	1,295	18,431	29,787
Accrued leave	-	10,022	1,433	1,563	13,018
Due to other funds	297,002	-	-	-	297,002
Total current liabilities	297,058	20,027	2,728	19,994	339,807
Long term liabilities:					
Advance from other funds	-	-	-	501,930	501,930
Landfill closure costs payable	-	-	65,170	-	65,170
Total liabilities	297,058	20,027	67,898	521,924	906,907
Net assets:					
Invested in capital assets	7,893	754,497	1,237,300	2,809,473	4,809,163
Unrestricted (deficit)	(178,086)	580,550	404,304	(488,192)	318,576
Total net assets (deficit)	(170,193)	1,335,047	1,641,604	2,321,281	5,127,739
Total liabilities and net assets	$ 126,865	1,355,074	1,709,502	2,843,205	6,034,646

See accompanying notes to basic financial statements.

Exhibit D-2

CITY OF SAND POINT, ALASKA
Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
Year Ended June 30, 2011

	Major Funds				Total
	Bingo	Boat Harbor	Refuse Collection	Water and Sewer	Enterprise Funds
Operating revenues - charges for services $	446,743	433,555	171,053	180,045	1,231,396
Operating expenses:					
Salaries and benefits	47,409	357,635	131,783	142,030	678,857
Services and supplies	376,374	98,368	19,187	139,570	633,499
Depreciation	2,909	57,855	101,027	125,631	287,422
Total operating expenses	426,692	513,858	251,997	407,231	1,599,778
Operating income (loss)	20,051	(80,303)	(80,944)	(227,186)	(368,382)
Nonoperating revenues - State PERS relief	2,433	16,015	5,216	6,569	30,233
Change in net assets	22,484	(64,288)	(75,728)	(220,617)	(338,149)
Beginning net assets (deficit), as restated	(192,677)	1,399,335	1,717,332	2,541,898	5,465,888
Ending net assets (deficit) $	(170,193)	1,335,047	1,641,604	2,321,281	5,127,739

See accompanying notes to basic financial statements.

Exhibit D-3

CITY OF SAND POINT, ALASKA
Enterprise Funds
Statement of Cash Flows
Year Ended June 30, 2011

		Major Funds				Total
		Bingo	Boat Harbor	Refuse Collection	Water and Sewer	Enterprise Funds
Cash flows from operating activities:						
Receipts from customers	$	446,743	442,023	222,545	182,784	1,294,095
Payments for goods and services		(376,318)	(88,363)	(8,582)	(121,445)	(594,708)
Payments for salaries and benefits		(44,976)	(341,249)	(126,427)	(137,286)	(649,938)
Net cash flows from operating activities		25,449	12,411	87,536	(75,947)	49,449
Cash flows from noncapital financing activities - increase in due to other funds		49,601	-	-	75,947	125,548
Cash flows from capital and related financing activities - additions to property, plant, and equipment		-	(104,610)	(12,000)	-	(116,610)
Net increase (decrease) in cash and investments		75,050	(92,199)	75,536	-	58,387
Beginning cash and investments		43,922	653,793	365,794	-	1,063,509
Ending cash and investments	$	118,972	561,594	441,330	-	1,121,896
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	$	20,051	(80,303)	(80,944)	(227,186)	(368,382)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation		2,909	57,855	101,027	125,631	287,422
Noncash expense - PERS relief		2,433	16,015	5,216	6,569	30,233
(Increase) decrease in assets - accounts receivable (net)		-	8,468	51,492	2,739	62,699
Increase (decrease) in liabilities:						
Accounts payable		56	10,005	1,295	18,125	29,481
Accrued leave		-	371	140	(1,825)	(1,314)
Landfill closure costs payable		-	-	9,310	-	9,310
Net cash flows from operating activities	$	25,449	12,411	87,536	(75,947)	49,449

See accompanying notes to basic financial statements.

(1) **Summary of Significant Accounting Policies**

Reporting Entity

The City of Sand Point was incorporated in 1966 and has operated as a first-class city since 1978 under a council/mayor form of government. The City provides a full range of services to its citizens including, but not limited to, public safety, streets, health and social services, water and sewer, refuse collection, boat harbor, and general administration.

The basic principle used in determining the scope of the entity for financial reporting purposes is the exercise of oversight responsibility over other governmental units by the City's elected officials. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. No other entities exist for which the City has oversight responsibility.

The accounting policies of City of Sand Point conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Government-wide and Fund Financial Statements

Government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but statements distinguish governmental activities from business-type activities generally financed in whole or in part with fees charged to external customers. The statement of activities reports expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns with composite columns for nonmajor funds.

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Basis of Presentation

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The government-wide and proprietary fund financial statements report using the economic resources measurement focus and 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only to the extent they have matured.

Major revenue sources susceptible to accrual include charges for services, intergovernmental revenues and investment income. In general, other revenues are recognized when received.

Fund Types and Major Funds

The City reports the following major governmental fund:

General Fund – Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following major proprietary funds:

Bingo Enterprise Fund – to account for gaming activities.
Boat Harbor Enterprise Fund – to account for activities of the boat harbor.
Refuse Collection Enterprise Fund – to account for refuse collection.
Water and Sewer Enterprise Fund – to account for water and sewer utilities.

Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, the City considers all cash and investments to be cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." These balances represent the numerous transactions that occur during the course of operations between individual funds for goods provided or services rendered.

Capital Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of $5,000 or more as purchase and construction outlays occur. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded.

Estimated useful lives in years for depreciable assets are as follows:

Buildings	20 – 40
Machinery and equipment	5 – 10
Vehicles	5 – 10
Infrastructure assets	50

Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused annual leave. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Revenue

Amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met are recorded as deferred revenue.

Summary of Significant Accounting Policies, continued

Long-term Debt

In government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Governmental fund financial statements recognize proceeds of debt and premiums as other financing sources of the current period.

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 or ordinances 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 Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and Administrator 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.

Summary of Significant Accounting Policies, continued

Use of Estimates

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported in these financial statements. Accordingly, actual results could differ from those estimates.

Budgetary Accounting

The annual City operating budget is prepared by management in the spring preceding the fiscal year to which it relates. The budget is submitted to the City Council for review and approval. Legal enactment of the budget is obtained through passage of a City ordinance. Amendments to the budget can occur any time during the fiscal year through City Council action.

Grants and Other Intergovernmental Revenues

In applying the measurable and available concept to grants and intergovernmental revenues, 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.

(2) **Cash and Investments**

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, 2011.

	Totals
Deposit accounts and cash on-hand	$ 299,965
Pooled investments	2,145,223
	$ 2,445,188

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. At June 30, 2011, all of the City's bank balance was insured by the Federal Deposit Insurance Corporation.

Cash and Investments, continued

Investments

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAm 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.

Southwest Governments, LLC

The City holds a 20% interest in Southwest Governments, LLC, a company that owns and rents an office building in Anchorage, Alaska. At June 30, 2011, the City's investment in the LLC was $309,879. This investment is considered noncurrent, and accordingly, an equal amount of fund balance of the General Fund is shown as nonspendable.

(3) **Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental activities				
Capital assets not being depreciated -				
Construction in progress	$ 731,418	125,122	139,887	716,653
Capital assets being depreciated:				
Buildings	8,346,057	139,887	-	8,485,944
Improvements other than buildings	23,148	25,400	-	48,548
Equipment and vehicles	1,696,826	90,000	-	1,786,826
Total assets being depreciated	10,066,031	255,287	-	10,321,318
Less accumulated depreciation for:				
Buildings	1,769,040	423,132	-	2,192,172
Improvements other than buildings	11,573	4,643	-	16,216
Equipment and vehicles	1,030,720	110,857	-	1,141,577
Total accumulated depreciation	2,811,333	538,632	-	3,349,965
Total capital assets being depreciated, net	7,254,698	(283,345)	-	6,971,353
Governmental activity capital assets, net	$ 7,986,116	(158,223)	139,887	7,688,006

Capital Assets, continued

	Restated Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities				
Capital assets not being depreciated –				
construction in progress	$ -	63,810	-	63,810
Capital assets being depreciated:				
Building and improvements	5,024,735*	12,000	-	5,036,735
Equipment and vehicles	1,238,279	40,801	-	1,279,080
Landfill	1,996,889	-	-	1,996,889
Total assets being depreciated	8,259,903	52,801	-	8,312,704
Less accumulated depreciation for:				
Building and improvements	1,733,152*	134,731	-	1,867,883
Equipment and vehicles	673,137	90,288	-	763,425
Landfill	873,640	62,403	-	936,043
Total accumulated depreciation	3,279,929	287,422	-	3,567,351
Total capital assets being depreciated, net	4,979,974	(234,621)	-	4,745,353
Business-type activity capital assets, net	$ 4,979,974	(170,811)	-	4,809,163

* The beginning balances of buildings and improvements and accumulated depreciation have been restated by $3,086,694 and $1,620,514, respectively, to reflect the inclusion of previously unaudited capital assets.

Depreciation expense was charged to the functions as follows:

Governmental activities	
General government	$ 405,172
Parks and recreation	8,144
Public safety	40,039
Public works	85,277
Total depreciation expense - governmental activities	$ 538,632
Business-type activities	
Boat harbor	57,855
Refuse collection	101,027
Water and sewer	125,631
Bingo	2,909
Total depreciation expense - business-type activities	$ 287,422

(4) **Long Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Retired	Balance June 30, 2011	Due Within One Year
Governmental Activities					
Accrued leave	$ 54,760	19,954	16,407	58,307	58,307
Business-Type Activities					
Landfill closure liability	$ 55,860	9,310	-	65,170	-
Accrued leave	14,332	9,289	10,603	13,018	13,018
Total business-type activities	$ 70,192	18,599	10,603	78,188	13,018

(5) **Fund Balances**

The City has implemented the provisions of GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2011. Fund balances, reported for the major fund and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Nonmajor Funds	Totals
Nonspendable:			
Investment in Southwest Governments, LLC	$ 309,879	-	309,879
Prepaid items	17,411	-	17,411
Advance to other funds	501,930	-	501,930
Total nonspendable	829,220	-	829,220
Assigned:			
Silver Salmon Derby	-	24,387	24,387
Clinic	-	74,559	74,559
Total assigned	-	98,946	98,946
Unassigned (deficit)	1,490,781	(39,361)	1,451,420
Total fund balances	$ 2,320,001	59,585	2,379,586

(6) **Interfund Balances and Transfers**

A schedule of interfund balances and transfers for the year ended June 30, 2011, follows:

Due to other funds:	
Due to the General Fund from:	
Bingo Enterprise Fund for operating expenses	$ 297,002
School Loop Capital Project Fund for capital costs	32,139
Street Lights Capital Project Fund for capital costs	49,761
Total amount due to other funds	$ 378,902
Advance from the General Fund to Water and Sewer Enterprise Fund for operating costs	$ 501,930
Transfers :	
Transfer from Sea Lion Mitigation Fund to the General Fund to close the fund	$ 221,932
Transfer from General Fund to:	
School Loop Capital Project Fund for capital costs	100,000
Street Lights Capital Project Fund for capital costs	49,761
Total transfers to other funds	$ 371,693

(7) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203

Defined Benefit Pension Plan, continued

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. Legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions are recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.41% for pension and 4.34% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.68% for pension and 4.82% for healthcare).

The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%. However, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate.

The City's contribution rates for 2011 were determined as part of the June 30, 2008 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 45* Rate
Pension	7.85%	9.98%	13.49%
Postemployment healthcare	14.15%	17.98%	55.87%
Total contribution rate	22.00%	27.96%	69.36%

* This rate uses a 4.5% OPEB discount rate and disregards all future Medicare Part D payments.

Defined Benefit Pension Plan, continued

Funding Policy, continued

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 8.25% (2.29 percentage points higher than the 5.96% required amount) of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State contribution in the amount of $88,847 as a PERS on-behalf payment. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

Year Ended June 30	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contri-butions	% of TBC Contributed
2011	$ 68,716	$ 123,865	$ 192,851	$ 192,851	100%
2010	56,954	96,599	153,553	153,553	100%
2009	51,552	114,851	166,403	166,403	100%

(8) **Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary, and the City is required to make the following contributions:

	Others Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.56	0.48
Occupational death and disability benefits	0.31	1.18
	8.87 %	9.66%

* Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute "an amount equal to three percent of the average employer's average annual employee compensation." For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2011 were $53,890 and $41,809, respectively.

(9) **Landfill Closure and Postclosure Liability**

The City operates a local landfill. 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 certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and postclosure care costs each period based on landfill capacity used as of each balance sheet date.

Landfill Closure and Postclosure Liability, continued

The City has estimated the closure and postclosure costs to be $242,060 with an estimated remaining life through 2030. At June 30, 2011, the City has recognized $65,170 of this liability on the statement of net assets, an increase of $9,310 from the prior year. The City will recognize the remaining estimated cost of closure and postclosure care of $176,890 as the remaining expected usage is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of the landfill is estimated to be approximately 19 years.

At June 30, 2011 the City has not committed or assigned any fund balance to fund the cost of closure and postclosure monitoring, nor have any assets been restricted for this purpose.

(10) **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.

The City is a member of the Alaska Municipal League Joint Insurance Association (JIA), a governmental insurance pool established by the Alaska Municipal League. The JIA provides the City coverage for property, including building and contents, automobiles, mobile equipment, data processing equipment and boiler and machinery; casualty, including general liability, public officials and employees liability, law enforcement professional liability, auto liability and employee benefit liability; workers' compensation, including employers liability; and commercial blanket bond. The City maintains supplemental marine insurance and firefighters group accident coverage with insurance companies placed through JIA. The City has no coverage for potential losses from environmental damages.

The 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 member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2011.

(11) **Contingencies**

Grants

The City has received grants which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grant. Management believes that such disallowances for grants, if any, would not be material.

(12) **Prior Period Adjustments**

Two prior period adjustments were made which resulted in the restatement of the General Fund and the Water and Sewer Enterprise Fund.

The adjustment in the General Fund was for $161,408 and was made to record accounts receivable for sales tax and fish tax of $72,144 and $89,264, respectively.

The adjustment in the Water and Sewer Enterprise Fund was to record capital assets and related accumulated depreciation that had not been recorded previously. This resulted in a net increase to the June 30, 2010 net assets of $1,466,180.

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SUPPLEMENTARY INFORMATION

Exhibit E-1

CITY OF SAND POINT, ALASKA
General Fund
Balance Sheet
June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010 (Restated)
Assets			
Cash and investments	$	1,188,259	1,226,367
Receivables:			
Sales tax		50,159	72,144
Fish tax		59,813	89,264
Other		5,093	1,694
Prepaid items		17,411	-
Investment in Southwest Governments, LLC		309,879	296,611
Due from other funds		329,141	247,401
Advance to other funds		501,930	425,983
Total assets	$	2,461,685	2,359,464
Liabilities and Fund Balance			
Liabilities:			
Accounts payable		85,501	-
Deferred revenue		1,950	1,950
Accrued liabilities		54,233	5,300
Total liabilities		141,684	7,250
Fund balance:			
Nonspendable:			
Prepaid items		17,411	-
Investment in Southwest Governments, LLC		309,879	296,611
Advance to other funds		501,930	425,983
Unassigned		1,490,781	1,629,620
Total fund balance		2,320,001	2,352,214
Total liabilities and fund balance	$	2,461,685	2,359,464

Exhibit E-2

CITY OF SAND POINT, ALASKA

General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	2011			2010 (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Taxes:				
Sales taxes	$ 800,100	729,740	(70,360)	673,355
Local raw fish taxes	700,000	730,531	30,531	500,689
Accommodation taxes	15,000	9,045	(5,955)	6,938
Total taxes	1,515,100	1,469,316	(45,784)	1,180,982
State of Alaska:				
Shared fisheries and raw fish tax	294,675	160,704	(133,971)	294,674
Fish resource landing tax	22,721	68,108	45,387	80,910
Library grants	6,350	6,300	(50)	8,650
State revenue sharing	147,000	146,202	(798)	144,872
State PERS relief	-	58,614	58,614	28,888
State business license refund	2,500	2,100	(400)	2,500
Total State of Alaska	473,246	442,028	(31,218)	560,494
Federal government:				
Emergency management grants	20,000	15,000	(5,000)	16,000
ARRA stimulus grant - insurance	-	-	-	28,790
Street light maintenance grant	-	48,700	48,700	-
Total Federal government	20,000	63,700	43,700	44,790
Investment income	3,500	13,668	10,168	20,187
Other revenues:				
Building rental	85,000	117,645	32,645	119,079
Equipment rental	10,000	19,614	9,614	6,135
Business licenses	2,500	2,375	(125)	2,675
EMS fund	-	7,954	7,954	-
Sweatshirt sales	-	1,750	1,750	-
Local donation	1,000	2,195	1,195	-
Fuel sales	-	38,506	38,506	-
Other	14,000	44,149	30,149	20,180
Total other revenues	112,500	234,188	121,688	148,069
Total revenues	2,124,346	2,222,900	98,554	1,954,522

CITY OF SAND POINT, ALASKA
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2011			2010 (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures:				
General government:				
Legislative:				
Salaries	$ 36,000	36,400	(400)	36,000
Fringe benefits	71,174	68,991	2,183	68,834
Travel and per diem	15,000	16,676	(1,676)	11,779
Dues and fees	5,000	1,142	3,858	5,341
Total legislative	127,174	123,209	3,965	121,954
Administration:				
Salaries	241,888	236,384	5,504	225,112
Fringe benefits	65,317	75,664	(10,347)	64,032
Contractual services	15,000	33,900	(18,900)	13,817
Travel and per diem	10,000	11,208	(1,208)	12,273
Telephone	6,000	8,054	(2,054)	7,200
Postage	5,000	6,526	(1,526)	7,346
Supplies	7,500	37,703	(30,203)	33,929
Equipment and maintenance	6,000	18,031	(12,031)	50,506
Dues and fees	3,000	23,599	(20,599)	3,057
Audit	20,000	25,732	(5,732)	25,389
Legal	6,000	3,722	2,278	6,516
Insurance	154,265	95,990	58,275	154,265
Bank service charges	5,000	9,985	(4,985)	6,744
Freight/speed paks	1,000	2,284	(1,284)	823
Elections	570	1,230	(660)	570
Donations	10,000	16,278	(6,278)	14,992
Hospitality	500	794	(294)	415
Library	3,700	3,764	(64)	5,972
Fuel	700	-	700	585
Other	10,000	43,293	(33,293)	7,993
Total administration	571,440	654,141	(82,701)	641,536
Total general government	698,614	777,350	(78,736)	763,490

CITY OF SAND POINT, ALASKA
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2011			2010 (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures, continued:				
Parks and recreation:				
Salaries	$ 35,286	22,673	12,613	14,387
Fringe benefits	10,218	4,958	5,260	1,258
Donations	5,000	-	5,000	433
Total parks and recreation	50,504	27,631	22,873	16,078
Public safety:				
Police:				
Salaries	227,930	251,714	(23,784)	199,594
Fringe benefits	84,648	111,625	(26,977)	79,381
Dispatchers	-	24,125	(24,125)	6,900
Travel and per diem	4,000	5,334	(1,334)	3,614
Telephone	6,000	8,097	(2,097)	6,830
Supplies	6,000	10,255	(4,255)	7,350
Equipment	5,000	3,830	1,170	32,539
Equipment maintenance	12,000	1,958	10,042	12,776
Dues and fees	2,500	2,270	230	2,487
Fuel	7,000	13,004	(6,004)	9,334
Freight/speed paks	500	73	427	166
Relocation costs	5,000	2,000	3,000	4,473
Total police	360,578	434,285	(73,707)	365,444
Fire:				
Volunteer stipends	-	7,600	(7,600)	8,250
Travel and per diem	1,500	-	1,500	1,946
Contractual services	-	10,250	(10,250)	9,800
Telephone	5,000	2,977	2,023	1,699
Supplies	1,000	3,596	(2,596)	4,046
Equipment	7,000	3,769	3,231	10,748
Equipment maintenance	500	868	(368)	(462)
Insurance	7,480	7,211	269	7,480
Freight	700	260	440	413
Fuel	500	150	350	279
Utilities	500	262	238	281
Total fire	24,180	36,943	(12,763)	44,480

CITY OF SAND POINT, ALASKA
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2011			2010 (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Salaries	$ 17,576	13,227	4,349	3,140
Fringe benefits	7,555	6,187	1,368	1,376
Supplies	2,500	860	1,640	1,196
Fuel	1,500	4,416	(2,916)	441
Travel and per diem	-	6,230	(6,230)	-
Freight	1,000	-	1,000	-
Equipment	3,000	-	3,000	-
Dues and fees	-	1,915	(1,915)	-
Utilities	1,000	-	1,000	-
Total animal control	34,131	32,835	1,296	6,153
Total public safety	418,889	504,063	(85,174)	416,077
Public works:				
General:				
Salaries	236,618	255,049	(18,431)	197,405
Fringe benefits	94,094	115,444	(21,350)	84,465
Contractual	-	1,768	(1,768)	-
Travel and per diem	4,000	-	4,000	4,001
Telephone	3,000	2,972	28	3,067
Supplies	15,000	33,975	(18,975)	15,597
Equipment	10,000	90,458	(80,458)	155,852
Equipment maintenance	80,000	54,396	25,604	57,682
Equipment fuel	15,000	51,673	(36,673)	11,142
Dues and fees	30,000	3,555	26,445	9,224
Street lights	20,000	20,004	(4)	22,334
Utilities	500	39	461	191
Fuel	10,000	58,286	(48,286)	10,321
Repairs	7,000	3,129	3,871	5,461
Freight/speed paks	20,000	25,176	(5,176)	18,902
Landfill clean-up costs	40,000	40,922	(922)	34,774
Total general	585,212	756,846	(171,634)	630,418

CITY OF SAND POINT, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

	2011			2010 (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures, continued:				
Public works, continued:				
Facilities:				
Salaries	$ 53,742	84,430	(30,688)	65,461
Fringe benefits	20,449	41,913	(21,464)	30,914
Dues and fees	-	1,200	(1,200)	-
Municipal building:				
Supplies	8,000	5,487	2,513	10,379
Utilities	10,000	5,917	4,083	10,419
Equipment	1,000	-	1,000	2,392
Fuel	50,000	57,638	(7,638)	55,332
Repairs	10,000	32,514	(22,514)	10,370
Freight/speed paks	2,500	472	2,028	2,089
City houses:				
Supplies	500	-	500	115
Fuel	4,000	-	4,000	3,374
Equipment	1,000	-	1,000	1,080
Repairs	1,000	-	1,000	-
Freight/speed paks	500	-	500	-
RATNET building - utilities	300	333	(33)	143
Fire hall - utilities	5,500	3,509	1,991	5,723
Clinic facility:				
Telephone	-	-	-	2,228
Supplies	-	218	(218)	-
Repairs	-	3,113	(3,113)	88
Freight	-	786	(786)	-
4-plex:				
Supplies	2,000	12	1,988	206
Equipment	2,000	-	2,000	1,473
Fuel	8,000	3,156	4,844	9,373
Utilities	5,500	2,793	2,707	3,514
Repairs	1,000	132	868	768
Teen center:				
Fuel	-	1,462	(1,462)	1,831
Utilities	-	748	(748)	33
Repairs	-	-	-	2,974
Supplies	-	63	(63)	-
Total facilities	186,991	245,896	(58,905)	220,279
Total public works	772,203	1,002,742	(230,539)	850,697

CITY OF SAND POINT, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

	2011			2010 (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures, continued:				
Community development:				
Contribution to Aleutian Pacific Seafoods	$ -	2,321	(2,321)	4,811
Capital oulay - gear shed	-	6,384	(6,384)	133,504
Dues and fees	-	6,000	(6,000)	-
Travel and per diem	-	793	(793)	-
Total community development	-	15,498	(15,498)	138,315
Total expenditures	1,940,210	2,327,284	(387,074)	2,184,657
Excess of revenues over (under) expenditures	184,136	(104,384)	(288,520)	(230,135)
Other financing sources (uses):				
Transfers in	-	221,932	221,932	200,000
Transfers out	(157,900)	(149,761)	8,139	(248,564)
Net other financing sources (uses)	(157,900)	72,171	230,071	(48,564)
Net change in fund balance	$ 26,236	(32,213)	(58,449)	(278,699)
Beginning fund balance		2,352,214		2,469,505
Prior period adjustment		-		161,408
Ending fund balance		$ 2,320,001		2,352,214

Exhibit F-1

CITY OF SAND POINT, ALASKA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Silver Salmon Derby	Clinic Operations	Street Lights	School Loop	
Assets					
Cash and investments	$ 24,387	109,243	-	1,403	135,033
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	31,953	-	8,625	40,578
Deferred revenue	-	2,731	-	-	2,731
Due to other funds	-	-	-	32,139	32,139
Total liabilities	-	34,684	-	40,764	75,448
Fund balances:					
Assigned:					
Silver Salmon Derby	24,387	-	-	-	24,387
Clinic	-	74,559	-	-	74,559
Unassigned (deficit)	-	-	-	(39,361)	(39,361)
Total fund balances	24,387	74,559	-	(39,361)	59,585
Total liabilities and fund balances	$ 24,387	109,243	-	1,403	135,033

Exhibit F-2

CITY OF SAND POINT, ALASKA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Year Ended June 30, 2011

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Govern-mental Funds
	Sea Lion Mitigation	Silver Salmon Derby	Clinic Operations	Street Lights	School Loop	
Revenues:						
Federal government	$ -	-	33,635	-	-	33,635
Other revenues	-	29,352	-	-	-	29,352
Total revenues	-	29,352	33,635	-	-	62,987
Expenditures:						
Health clinic	-	-	31,953	-	-	31,953
Community development	-	31,065	-	-	-	31,065
Capital outlay	-	-	-	49,761	139,361	189,122
Total expenditures	-	31,065	31,953	49,761	139,361	252,140
Excess of revenues over (under) expenditures	-	(1,713)	1,682	(49,761)	(139,361)	(189,153)
Other financing sources (uses):						
Transfers in	-	-	-	49,761	100,000	149,761
Transfers out	(221,932)	-	-	-	-	(221,932)
Net other financing sources (uses)	(221,932)	-	-	49,761	100,000	(72,171)
Net change in fund balances	(221,932)	(1,713)	1,682	-	(39,361)	(261,324)
Fund balances at beginning of year	221,932	26,100	72,877	-	-	320,909
Fund balances (deficits) at end of year	$ -	24,387	74,559	-	(39,361)	59,585

Exhibit G-1

CITY OF SAND POINT, ALASKA
Bingo Enterprise Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

	2011	2010
Assets		
Current assets - cash and investments	$ 118,972	43,922
Capital assets:		
Equipment and vehicles	28,493	28,493
Less accumulated depreciation	(20,600)	(17,691)
Net capital assets	7,893	10,802
Total assets	$ 126,865	54,724
Liabilities and Net Assets		
Liabilities:		
Accounts payable	56	-
Due to other funds	297,002	247,401
Total liabilities	297,058	247,401
Net assets:		
Invested in capital assets	7,893	10,802
Unrestricted (deficit)	(178,086)	(203,479)
Total net assets (deficit)	(170,193)	(192,677)
Total liabilities and net assets	$ 126,865	54,724

Exhibit G-2

CITY OF SAND POINT, ALASKA
Bingo Enterprise Fund
Statement of Revenues, Expenses and Changes in Deficit
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Operating revenues:			
Pull tab revenue	$	414,734	651,223
Bingo revenue		31,472	61,329
Concessions		512	114
Other		25	709
Total operating revenues		446,743	713,375
Operating expenses:			
Salaries and benefits		47,409	61,516
Travel and per diem		525	661
Telephone		581	741
Supplies		469	1,109
Depreciation		2,909	1,915
Concessions		733	483
Equipment and equipment maintenance		2,383	1,857
Dues and fees		2,741	864
Bank service charges		2,406	2,369
Freight/speed paks		691	274
Payouts to winners		353,871	551,159
Prizes		2,115	3,452
Pull tab tax		1,400	6,380
Pull tab purchases		8,459	13,588
Total operating expenses		426,692	646,368
Operating income		20,051	67,007
Nonoperating revenues - State PERS relief		2,433	733
Income before transfers		22,484	67,740
Transfers out		-	(200,000)
Change in net assets		22,484	(132,260)
Beginning deficit		(192,677)	(60,417)
Ending deficit	$	(170,193)	(192,677)

Exhibit G-3

CITY OF SAND POINT, ALASKA
Bingo Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Cash flows from operating activities:			
Receipts from customers	$	446,743	713,375
Payments for goods and services		(376,318)	(582,937)
Payments for salaries and benefits		(44,976)	(60,783)
Net cash flows from operating activities		25,449	69,655
Cash flows from noncapital financing activities:			
Transfers out		-	(200,000)
Increase in due to other funds		49,601	60,783
Net cash flows from noncapital financing activities		49,601	(139,217)
Cash flows from capital and related financing activities - additions to property, plant and equipment		-	(5,419)
Net increase (decrease) in cash and investments		75,050	(74,981)
Beginning cash and investments		43,922	118,903
Ending cash and investments	$	118,972	43,922
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	$	20,051	67,007
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation		2,909	1,915
Noncash expense - PERS relief		2,433	733
Increase (decrease) in liabilities - accounts payable		56	-
Net cash flows from operating activities	$	25,449	69,655

Exhibit G-4

CITY OF SAND POINT, ALASKA
Boat Harbor Enterprise Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Assets			
Current assets:			
Cash and investments	$	561,594	653,793
Accounts receivable, net of allowance of $53,806 ($53,538 in 2010)		38,983	47,451
Total current assets		600,577	701,244
Capital assets:			
Building and floats		491,732	491,732
Equipment and vehicles		596,266	555,466
Construction in progress		63,810	-
Less accumulated depreciation		(397,311)	(339,456)
Net capital assets		754,497	707,742
Total assets	$	1,355,074	1,408,986
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	10,005	-
Accrued leave		10,022	9,651
Total current liabilities		20,027	9,651
Net assets:			
Invested in capital assets		754,497	707,742
Unrestricted		580,550	691,593
Total net assets		1,335,047	1,399,335
Total liabilities and net assets	$	1,355,074	1,408,986

Exhibit G-5

CITY OF SAND POINT, ALASKA
Boat Harbor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Operating revenues:			
Moorage	$	151,969	120,959
Travel lift		75,734	70,110
Wharfage		81,723	44,684
Van storage		14,067	15,319
Electricity		2,881	2,076
Penalties and interest		2,484	4,367
Rents		104,697	83,001
Total operating revenues		433,555	340,516
Operating expenses:			
Salaries and benefits		357,635	317,138
Contractual		6,944	15,932
Travel and per diem		-	1,738
Telephone		2,868	2,787
Supplies		18,665	4,562
Depreciation		57,855	63,535
Equipment and equipment maintenance		30,019	28,939
Dues and fees		11,958	2,714
Utilities		10,821	16,921
Fuel		7,288	13,997
Repairs		2,497	2,007
Freight/speed paks		6,189	1,443
Other		1,119	1,937
Total operating expenses		513,858	473,650
Operating loss		(80,303)	(133,134)
Nonoperating revenues - State PERS relief		16,015	9,684
Change in net assets		(64,288)	(123,450)
Beginning net assets		1,399,335	1,522,785
Ending net assets	$	1,335,047	1,399,335

Exhibit G-6

CITY OF SAND POINT, ALASKA
Boat Harbor Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Cash flows from operating activities:			
Receipts from customers	$	442,023	376,795
Payments for goods and services		(88,363)	(92,977)
Payments for salaries and benefits		(341,249)	(306,873)
Net cash flows from operating activities		12,411	(23,055)
Cash flows from noncapital financing activities - state operating grant received		-	128,970
Cash flows from capital and related financing activities:			
Additions to capital assets		(104,610)	(18,998)
Capital contributions received		-	7,677
Net cash flows from capital and related financing activities		(104,610)	(11,321)
Net increase (decrease) in cash and investments		(92,199)	94,594
Beginning cash and investments		653,793	559,199
Ending cash and investments	$	561,594	653,793
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	$	(80,303)	(133,134)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation		57,855	63,535
Noncash expense - PERS relief		16,015	9,684
(Increase) decrease in assets - accounts receivable (net)		8,468	36,279
Increase (decrease) in liabilities:			
Accounts payable		10,005	-
Accrued leave		371	581
Net cash flows from operating activities	$	12,411	(23,055)

Exhibit G-7

CITY OF SAND POINT, ALASKA
Refuse Collection Enterprise Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Assets			
Current assets:			
Cash and investments	$	441,330	365,794
Accounts receivable, net of allowance of $7,629 ($6,078 in 2010)		30,872	82,364
Total current assets		472,202	448,158
Capital assets:			
Buildings		12,000	-
Equipment and vehicles		493,383	493,383
Sanitary landfill		1,996,889	1,996,889
Less accumulated depreciation		(1,264,972)	(1,163,945)
Net capital assets		1,237,300	1,326,327
Total assets	$	1,709,502	1,774,485
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	1,295	-
Accrued leave		1,433	1,293
Total current liabilities		2,728	1,293
Landfill closure costs payable		65,170	55,860
Total liabilities		67,898	57,153
Net assets:			
Invested in capital assets		1,237,300	1,326,327
Unrestricted		404,304	391,005
Total net assets		1,641,604	1,717,332
Total liabilities and net assets	$	1,709,502	1,774,485

Exhibit G-8

CITY OF SAND POINT, ALASKA
Refuse Collection Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Operating revenues - user charges	$	171,053	162,095
Operating expenses:			
Salaries and benefits		131,783	106,646
Travel and per diem		-	2,776
Supplies		1,116	4,710
Landfill closure expense		9,310	9,310
Depreciation		101,027	103,269
Equipment and equipment maintenance		2,004	21,361
Dues and fees		150	344
Utilities		1,107	870
Fuel		5,500	5,318
Repairs		-	1,617
Freight/speed paks		-	1,167
Total operating expenses		251,997	257,388
Operating loss		(80,944)	(95,293)
Nonoperating revenues - State PERS relief		5,216	3,191
Change in net assets		(75,728)	(92,102)
Beginning net assets		1,717,332	1,809,434
Ending net assets	$	1,641,604	1,717,332

Exhibit G-9

CITY OF SAND POINT, ALASKA
Refuse Collection Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010
Cash flows from operating activities:			
Receipts from customers	$	222,545	157,983
Payments for goods and services		(8,582)	(38,163)
Payments for salaries and benefits		(126,427)	(102,814)
Net cash flows from operating activities		87,536	17,006
Cash flows from capital and related financing activities -			
Additions to capital assets		(12,000)	-
Net increase in cash and investments		75,536	17,006
Beginning cash and investments		365,794	348,788
Ending cash and investments	$	441,330	365,794
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	$	(80,944)	(95,293)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation		101,027	103,269
Noncash expense - PERS relief		5,216	3,191
(Increase) decrease in assets - accounts receivable (net)		51,492	(4,112)
Increase (decrease) in liabilities:			
Accounts payable		1,295	-
Accrued leave		140	641
Landfill closure costs payable		9,310	9,310
Net cash flows from operating activities	$	87,536	17,006

Exhibit G-10

CITY OF SAND POINT, ALASKA
Water and Sewer Enterprise Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010 (Restated)
Assets			
Current assets - accounts receivable, net of allowance of $14,103 ($11,559 in 2010)	$	33,732	36,471
Capital assets:			
Buildings and improvements		4,533,004	4,533,004
Equipment and vehicles		160,937	160,937
Less accumulated depreciation		(1,884,468)	(1,758,838)
Net capital assets		2,809,473	2,935,103
Total assets	$	2,843,205	2,971,574
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	18,431	305
Accrued leave		1,563	3,388
Total current liabilities		19,994	3,693
Advance from other funds		501,930	425,983
Total liabilities		521,924	429,676
Net assets:			
Invested in capital assets		2,809,473	2,935,103
Unrestricted (deficit)		(488,192)	(393,205)
Total net assets		2,321,281	2,541,898
Total liabilities and net assets	$	2,843,205	2,971,574

Exhibit G-11

CITY OF SAND POINT, ALASKA
Water and Sewer Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	2011	2010 (Restated)
Operating revenues - user charges	$ 180,045	179,971
Operating expenses:		
Salaries and benefits	142,030	80,770
Travel and per diem	4,343	3,199
Telephone	3,320	3,472
Supplies	29,092	20,527
Equipment and equipment maintenance	17,267	29,017
Dues and fees	7,188	13,821
Utilities	62,426	88,361
Fuel	7,278	18,230
Repairs	3,854	4,258
Freight/speed paks	4,802	2,950
Depreciation	125,631	125,631
Total operating expenses	407,231	390,236
Operating loss	(227,186)	(210,265)
Nonoperating revenues - State PERS relief	6,569	2,966
Loss before contributions	(220,617)	(207,299)
Capital contributions	-	390,640
Change in net assets	(220,617)	183,341
Beginning net assets	2,541,898	815,210
Prior period adjustment	-	1,543,347
Ending net assets	$ 2,321,281	2,541,898

Exhibit G-12

CITY OF SAND POINT, ALASKA
Water and Sewer Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

		2011	2010 (Restated)
Cash flows from operating activities:			
Receipts from customers	$	182,784	222,306
Payments for goods and services		(121,445)	(224,480)
Payments for salaries and benefits		(137,286)	(77,457)
Net cash flows from operating activities		(75,947)	(79,631)
Cash flows from noncapital financing activities - increase (decrease) in advance from other funds		75,947	(311,009)
Cash flows from capital and related financing activities - capital contributions received		-	390,640
Net increase in cash and investments		-	-
Beginning cash and investments		-	-
Ending cash and investments	$	-	-
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	$	(227,186)	(210,265)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation		125,631	125,631
Noncash expense - PERS relief		6,569	2,966
(Increase) decrease in assets -			
Accounts receivable (net)		2,739	42,335
Increase (decrease) in liabilities:			
Accounts payable		18,125	(40,645)
Accrued leave		(1,825)	347
Net cash flows from operating activities	$	(75,947)	(79,631)