



## City of Delta Junction, Alaska

Basic Financial Statements, Required  
Supplementary Information, Supplementary  
Information and Single Audit Reports  
Year Ended June 30, 2015

## **City of Delta Junction, Alaska**

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Basic Financial Statements, Required Supplementary Information,  
Supplementary Information and Single Audit Reports  
Year Ended June 30, 2015

# City of Delta Junction, Alaska

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# City of Delta Junction, Alaska

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Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report**

Honorable Mayor and City Council  
City of Delta Junction, Alaska

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of City of Delta Junction, Alaska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Delta Junction'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 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, each major fund, and the aggregate remaining fund information of City of Delta Junction as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 8 to the financial statements, in 2015 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 32, and the Schedules of Net Pension Liability, and Pension Contributions on pages 33 and 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary Information*

Our audit for the year ended June 30, 2015 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Delta Junction's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance are required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, respectively.

The accompanying supplementary information 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 for the year ended June 30, 2015 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2015.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Delta Junction as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated January 14, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2014 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 2014 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016 on our consideration of City of Delta Junction's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Delta Junction's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
January 13, 2016

## **Basic Financial Statements**

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**City of Delta Junction, Alaska**

Exhibit A-1

**Statement of Net Position**

	Governmental Activities
<hr/>	
<i>June 30, 2015</i>	
<hr/>	
<b>Assets and Deferred Outflows</b>	
<b>Assets</b>	
Cash and investments	\$ 5,184,272
Receivables	
Grants	147,213
Accounts	8,156
Land and construction in progress	3,804,449
Other capital assets, net of accumulated depreciation	10,097,996
<hr/>	
<b>Total Assets</b>	<b>19,242,086</b>
<hr/>	
<b>Deferred Outflows related to pensions</b>	<b>38,640</b>
<hr/>	
<b>Total Assets and Deferred Outflows</b>	<b>\$ 19,280,726</b>
<hr/>	
<b>Liabilities, Deferred Inflows and Net Position</b>	
<b>Liabilities</b>	
Accrued payroll and related liabilities	\$ 20,445
Accounts payable	57,797
Unearned revenue	96,406
Noncurrent liabilities:	
Due within one year:	
Accrued leave	32,340
Note payable	50,000
Due in more than one year:	
Note payable	650,000
Landfill closure liability	319,580
Net pension liability	329,281
<hr/>	
<b>Total Liabilities</b>	<b>1,555,849</b>
<hr/>	
<b>Deferred Inflows related to pensions</b>	<b>38,043</b>
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	13,902,445
Restricted for Enhanced 911	113,555
Unrestricted	3,670,834
<hr/>	
<b>Total Net Position</b>	<b>17,686,834</b>
<hr/>	
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 19,280,726</b>
<hr/>	

*See accompanying notes to basic financial statements.*

# City of Delta Junction, Alaska

Exhibit A-2

## Statement of Activities

Year Ended June 30, 2015	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Governmental Activities</b>				
General government	\$ 538,247	\$ 50,770	\$ 12,439	\$ (475,038)
Public safety	305,481	92,364	6,095	(202,970)
Community services	563,346	35,965	9,760	(458,543)
General maintenance	943,002	-	6,219	(1,176)
Sanitary landfill	626,205	210,801	3,110	(412,294)
<b>Total Governmental Activities</b>	<b>\$ 2,976,281</b>	<b>\$ 389,900</b>	<b>\$ 37,623</b>	<b>\$ 998,737</b>
<b>General Revenues</b>				
Payments in lieu of taxes				989,272
Corporate donation - SMM POGO				360,000
Grants and entitlements not restricted to a specific purpose				164,522
Investment income				9,428
<b>Total General Revenues</b>				<b>1,523,222</b>
Change in net position				(26,799)
<b>Net Position, beginning of year as restated (Note 8)</b>				<b>17,713,633</b>
<b>Net Position, ending</b>				<b>\$ 17,686,834</b>

*See accompanying notes to basic financial statements.*

## City of Delta Junction, Alaska

Governmental Funds  
Balance Sheet

June 30, 2015	Major Funds							Total Govern- mental Funds
	General	Permanent Fund Special Revenue	Solid Waste & Septage Tanker	Public Works Building Improvements	Capital Project Funds			
					Ice Rink Septic Repair	Ice Rink LED Lighting Upgrade	Nonmajor Funds	
<b>Assets</b>								
Cash and investments	\$ 3,452,381	\$ 1,521,930	\$ -	\$ 22,421	\$ 40,000	\$ -	\$ 147,540	\$ 5,184,272
Receivables								
Grants	-	-	96,803	-	-	46,750	3,660	147,213
Accounts	8,156	-	-	-	-	-	-	8,156
Due from other funds	101,287	-	-	-	-	-	-	101,287
<b>Total Assets</b>	<b>\$ 3,561,824</b>	<b>\$ 1,521,930</b>	<b>\$ 96,803</b>	<b>\$ 22,421</b>	<b>\$ 40,000</b>	<b>\$ 46,750</b>	<b>\$ 151,200</b>	<b>\$ 5,440,928</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accrued payroll and related liabilities	\$ 20,445	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,445
Accounts payable	11,871	-	45,926	-	-	-	-	57,797
Unearned revenue	-	-	-	22,421	40,000	-	33,985	96,406
Due to other funds	-	-	50,877	-	-	46,750	3,660	101,287
<b>Total Liabilities</b>	<b>32,316</b>	<b>-</b>	<b>96,803</b>	<b>22,421</b>	<b>40,000</b>	<b>46,750</b>	<b>37,645</b>	<b>275,935</b>
<b>Fund Balances</b>								
Restricted for Enhanced 911	-	-	-	-	-	-	113,555	113,555
Committed for Permanent Fund	-	1,521,930	-	-	-	-	-	1,521,930
Unassigned	3,529,508	-	-	-	-	-	-	3,529,508
<b>Total Fund Balances</b>	<b>3,529,508</b>	<b>1,521,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,555</b>	<b>5,164,993</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,561,824</b>	<b>\$ 1,521,930</b>	<b>\$ 96,803</b>	<b>\$ 22,421</b>	<b>\$ 40,000</b>	<b>\$ 46,750</b>	<b>\$ 151,200</b>	<b>\$ 5,440,928</b>

See accompanying notes to basic financial statements.

**City of Delta Junction, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**June 30, 2015**

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Total fund balances of governmental funds \$ 5,164,993

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	\$ 3,804,449	
Buildings	14,641,585	
Equipment	2,637,068	
Infrastructure	6,753,772	
Less accumulated depreciation	<u>(13,934,429)</u>	
Total capital assets		13,902,445

The following long-term liabilities are not due and payable in the  
current period and therefore are not reported as fund liabilities.

Note payable	(700,000)	
Landfill closure	(319,580)	
Accrued leave	<u>(32,340)</u>	
Total long term liabilities		(1,051,920)

Net pension liability and associated deferred outflows and inflows  
are not due and payable in the current period and are therefore  
not reported in the fund financial statements.

Net pension liability	(329,281)	
Deferred outflows	38,640	
Deferred inflows	<u>(38,043)</u>	
Total deferred pension items		<u>(328,684)</u>

**Total Net Position of Governmental Activities** **\$ 17,686,834**

*See accompanying notes to basic financial statements.*

## City of Delta Junction, Alaska

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2015	Major Funds							Total Governmen- tal Funds
	General	Capital Project Funds					Nonmajor Funds	
		Permanent Fund Special Revenue	Solid Waste & Septage Tanker	Public Works Building Improvements	Ice Rink LED Lighting Upgrade			
<b>Revenues</b>								
Intergovernmental	\$ 1,319,045	\$ -	\$ 157,600	\$ 776,841	\$ 46,750	\$ 23,641	\$ 2,323,877	
Charges for services	307,165	-	-	-	-	-	307,165	
Corporate donation - SMM Pogo	360,000	-	-	-	-	-	360,000	
Investment income	1,281	8,136	-	-	-	11	9,428	
Other	82,735	-	-	-	-	-	82,735	
<b>Total Revenues</b>	<b>2,070,226</b>	<b>8,136</b>	<b>157,600</b>	<b>776,841</b>	<b>46,750</b>	<b>23,652</b>	<b>3,083,205</b>	
<b>Expenditures</b>								
General government	580,863	-	-	-	-	-	580,863	
Public safety	157,264	-	-	-	-	10,246	167,510	
Community services	353,353	-	-	-	46,750	12,328	412,431	
General maintenance	268,252	-	157,600	776,841	-	1,166	1,203,859	
Sanitary landfill	183,595	-	-	-	-	-	183,595	
Debt service payment	50,000	-	-	-	-	-	50,000	
<b>Total Expenditures</b>	<b>1,593,327</b>	<b>-</b>	<b>157,600</b>	<b>776,841</b>	<b>46,750</b>	<b>23,740</b>	<b>2,598,258</b>	
Excess of revenues over (under) expenditures	476,899	8,136	-	-	-	(88)	484,947	
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	-	-	99	99	
Transfers out	(99)	-	-	-	-	-	(99)	
<b>Net Other Financing Sources (Uses)</b>	<b>(99)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>-</b>	
Net change in fund balances	476,800	8,136	-	-	-	11	484,947	
<b>Fund Balances, beginning</b>	<b>3,052,708</b>	<b>1,513,794</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,544</b>	<b>4,680,046</b>	
<b>Fund Balances, ending</b>	<b>\$ 3,529,508</b>	<b>\$ 1,521,930</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,555</b>	<b>\$ 5,164,993</b>	

See accompanying notes to basic financial statements.

## City of Delta Junction, Alaska

**Reconciliation of Change in Fund Balances of Governmental Funds  
to Statement of Activities  
Year Ended June 30, 2015**

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Net change in fund balances - total governmental funds \$ 484,947

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

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives.

Capital outlay	\$ 833,580	
Depreciation	<u>(1,093,078)</u>	(259,498)

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) decrease:

Increase in landfill closure liability	\$ (319,580)	
Accrued leave	18,546	
Net pension liability	25,266	
Deferred outflows related to pensions	11,563	
Deferred inflows related to pensions	<u>(38,043)</u>	<u>(302,248)</u>

Repayment of the principal of long-term debt consumes current financial resources of governmental funds, but has no effect on net position.

50,000

**Change in Net Position of Governmental Activities**

**\$ (26,799)**

*See accompanying notes to basic financial statements.*

**City of Delta Junction, Alaska**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. Summary of Significant Accounting Policies**

***Reporting Entity***

The City of Delta Junction was incorporated in 1960 under the provisions of Alaska Statute, Title 29, as amended, as a second-class city. The City operates under a Council-Administrator form of government and provides services to its citizens including general and administrative, public safety (fire and ambulance), community library, community parks, cemetery, landfill, ice arena, community center, and air strip.

The financial statements included in this report are for City of Delta Junction only. There are no component units for which City of Delta Junction is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of City of Delta Junction 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***

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. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. The City reports all of its activities in governmental funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Payments in lieu of taxes, investment income, and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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 compensate absences are recorded only to the extent they have matured.

# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

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The City reports the following major funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Permanent Fund Special Revenue Fund* accounts for monies received from land sales.

The *Solid Waste and Septage Tanker Capital Project Fund* accounts for the grant and related costs of the acquisition of a new septage tanker.

The *Public Works Building Improvements Capital Project Fund* accounts for the grant and related costs of the new Public Works Building.

The *Ice Rink Septic Repair Capital Project Fund* accounts for the grant and related costs of repairing the Liewer-Olmstead Ice Arena's septic system.

The *Ice Rink LED Lighting Upgrade Capital Project Fund* accounts for the grant and related costs of completing the LED lighting upgrade of the Liewer-Olmstead Ice Arena.

### **Central Treasury**

A central treasury is used to account for cash from all funds of the City to maximize investment income. Investments are carried at fair value.

### **Accrued Leave**

The City allows employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when earned 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 has terminated employment).

### **Capital Assets**

Capital assets, which include property, plant, and equipment, 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 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:

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	Years
Equipment	3 - 8
Buildings	20 - 40
Infrastructure	20 - 50

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# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

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### ***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. Nonspendable fund balance 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.

*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 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 has 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.

### ***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. Encumbrances outstanding at year end if any, are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

### ***Unearned Grant Revenue***

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

# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

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### ***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 on 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.

### ***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

### ***Budgetary Accounting***

An operating budget is adopted each fiscal year for the General Fund on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for this fund lapses at year end to the extent that they have not been expended or encumbered. Supplemental appropriations that amend the total expenditures of any department or fund require Council approval. The budgeted financial statements presented in this report reflect the final budget authorization, including amendments made during the year. The City did not adopt a budget for the Permanent Fund Special Revenue Fund because it is not legally required to do so.

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

- a. The Mayor must submit to the City Council by May 1 a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City Council to provide an opportunity for public comment.
- c. By June 30, by City Council action, the budget is legally enacted through passage of an ordinance. If the City Council fails to pass an ordinance, the budget submitted by the Mayor becomes the adopted budget.

### ***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 for 2014 have been reclassified to conform with the current year presentation.

**City of Delta Junction, Alaska**  
**Notes to Basic Financial Statements**

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***Pension Plan***

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

**2. Cash and Investments**

The City of Delta Junction utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative cash," is included in "due to other funds."

***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, 2015.

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Cash on hand	\$ 200
Bank deposits and liquid asset funds	3,202,125
Investments	1,981,947
<b>Total Cash and Investments</b>	<b>\$ 5,184,272</b>

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***Investments***

***Investment Policy***

The City's investment policy authorizes investments in:

1. Treasury bonds, bills, notes or other general obligation evidences of indebtedness of the United States or an agency or instrumentality of the United States, or of the State of Alaska, or of other states of the United States, or of this City, or of other cities, of this State or boroughs;
2. Fully insured or fully collateralized certificates of deposit, savings deposits, and other interest-bearing deposit accounts in member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC);
3. Repurchase agreements where the general checking balance at the end of each business day is used to buy a security from the bank and held overnight; and/or
4. The Alaska Municipal League Investment Pool, made in accordance with terms of that Pool's "Common Investment Agreement".

# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

*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.

Investment maturities in general investments at June 30, 2015 are as follows:

	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	More Than 5
U.S. Treasuries	\$ 458,276	\$ -	\$ -	\$ 458,276
U.S. government agencies	23,576	-	-	23,576
Pooled investments	1,500,095	1,500,095	-	-
<b>Total Investments</b>	<b>\$ 1,981,947</b>	<b>\$ 1,500,095</b>	<b>\$ -</b>	<b>\$ 481,852</b>

*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 U.S. Treasuries and U.S. government agencies are rated AAA by Moody's Investors Services.

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool that is rated AAAM for credit risk purposes by Standard and Poor's. 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.

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## City of Delta Junction, Alaska

### Notes to Basic Financial Statements

### 3. Capital Assets

Capital asset activity for the year ended June 30, 2015 follows:

<i>Governmental Activities</i>	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land and land improvements	\$ 3,804,449	\$ -	\$ -	\$ 3,804,449
Construction in progress	556,493	776,841	1,333,334	-
<b>Total assets not being depreciated</b>	<b>4,360,942</b>	<b>776,841</b>	<b>1,333,334</b>	<b>3,804,449</b>
Capital assets being depreciated:				
Buildings	13,308,251	1,333,334	-	14,641,585
Equipment	2,580,329	56,739	-	2,637,068
Infrastructure	6,753,772	-	-	6,753,772
<b>Total assets being depreciated</b>	<b>22,642,352</b>	<b>1,390,073</b>	<b>-</b>	<b>24,032,425</b>
Less accumulated depreciation for:				
Buildings	5,770,926	445,905	-	6,216,831
Equipment	2,110,190	110,323	-	2,220,513
Infrastructure	4,960,235	536,850	-	5,497,085
<b>Total accumulated depreciation</b>	<b>12,841,351</b>	<b>1,093,078</b>	<b>-</b>	<b>13,934,429</b>
<b>Total capital assets being depreciated, net</b>	<b>9,801,001</b>	<b>296,995</b>	<b>-</b>	<b>10,097,996</b>
<b>Governmental Activity Capital Assets, net</b>	<b>\$ 14,161,943</b>	<b>\$ 1,073,836</b>	<b>\$ 1,333,334</b>	<b>\$ 13,902,445</b>

Depreciation expense was charged to the functions for the year ended June 30, 2015 as follows:

General government	\$ 38,954
Public safety	137,971
Community services	229,897
General maintenance	547,430
Sanitary landfill	138,826
<b>Total Depreciation Expense</b>	<b>\$ 1,093,078</b>

**City of Delta Junction, Alaska**

**Notes to Basic Financial Statements**

**4. Interfund Receivables, Payables and Transfers**

A schedule of interfund balances and transfers for the year ended June 30, 2015, follows:

**Due From/To Other Funds**

Due to the General Fund for short-term operating and capital costs from:	
Solid Waste & Septage Tanker Capital Project Fund	\$ 50,877
Ice Rink LED Lighting Upgrade Capital Project Fund	46,750
Nonmajor governmental funds	3,660

Total due to the General Fund	\$ 101,287
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**Transfers To Other Funds**

From the General Fund to nonmajor governmental funds for operating costs	\$ 99
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**5. Long-Term Debt**

In October, 2004, the City received a loan from the State of Alaska in the amount of \$1,200,000 to pay the balance due on a legal settlement with Delta Corrections Group. The legal settlement arose out of the failed effort of the City to establish a private prison in the vicinity of the City. The noninterest bearing note is payable in annual installments of \$50,000 beginning July 31, 2005.

Long-term debt activity for the year ended June 30, 2015, follows:

<i>Governmental Activities</i>	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Note payable	\$ 750,000	\$ -	\$ 50,000	\$ 700,000	\$ 50,000
Landfill closure liability	-	319,580	-	319,580	-
Accrued leave	50,886	42,390	60,936	32,340	32,340
<b>Total Long-Term Debt</b>	<b>\$ 800,886</b>	<b>\$ 361,970</b>	<b>\$ 110,936</b>	<b>\$ 1,051,920</b>	<b>\$ 82,340</b>

Historically, long-term debt items have been liquidated by the General Fund.

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**City of Delta Junction, Alaska**  
**Notes to Basic Financial Statements**

Annual debt service requirements to maturity for the noninterest bearing note payable follow:

<i>Year Ending June 30,</i>	Principal
2016	\$ 50,000
2017	50,000
2018	50,000
2019	50,000
2020	50,000
2021-2025	250,000
2026-2029	200,000
	<b>\$ 700,000</b>

**6. Landfill Closure and Postclosure 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 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, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City estimates that total future closure and post-closure costs will be \$881,860. The \$319,580 reported as landfill closure costs payable at June 30, 2015 represent the cumulative amount reported to date based on estimated usage of the landfill. The City will recognize the remaining \$562,280 as the landfill is used. These amounts are based on what it would cost to close the landfill in 2015. Actual amounts could be higher due to inflation, changes in technology or changes in regulations. The landfill has an expected remaining life of approximately 16 years.

**7. Fund Balances**

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Permanent Fund	Nonmajor Funds	Total
Restricted - Enhanced 911	\$ -	\$ -	\$ 113,555	\$ 113,555
Committed - Permanent Fund	-	1,521,930	-	1,521,930
Unassigned	3,529,508	-	-	3,529,508
<b>Total Fund Balances</b>	<b>\$ 3,529,508</b>	<b>\$ 1,521,930</b>	<b>\$ 113,555</b>	<b>\$ 5,164,993</b>

# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

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### 8. Change in Accounting Principle

As discussed in Note 8 to the financial statements, the City participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Governmental Activities	\$ 18,041,103	\$ (327,470)	\$ 17,713,633

### 9. Defined Benefit Pension Plan

#### *General Information About the Plan*

The City participates in the Alaska 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. 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. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

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### ***Historical Context and Special Funding Situation***

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), 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 described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board.

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that the Plan is *not* in a special funding situation.

Management of the City strongly disagrees with the State's position and believes that AS 39.35.255 constitutes a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter.

The City records the on-behalf contributions as revenue and expenditures in the fund financial statements. However, the expenditures are adjusted to deferred outflows in the government-wide financial statements.

### ***Employee Contribution Rates***

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% of their annual covered salary. Non-Teacher School District employees are required to contribute 9.6% 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 contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

***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. Prior to July

## City of Delta Junction, Alaska

### Notes to Basic Financial Statements

1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

*On-behalf Contribution Rate:* This is the rate paid by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the government-wide financial statements, the current year on-behalf payments have been removed, and the prior year amounts have been recorded to coincide with expense recognition in the plan measurement period.

*GASB Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY15, the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2012 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see Note 11)	9.46%	18.94%	- %	55.07%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>44.03%</b>	<b>42.41%</b>	<b>88.12%</b>

In 2015, the City was credited with the following contributions to the pension plan.

	Measurement Period City FY14	City FY15
Employer contributions (including DBUL)	\$ 27,077	\$ 29,487
Nonemployer contributions (on-behalf)	24,878	158,601
<b>Total Contributions</b>	<b>\$ 51,955</b>	<b>\$ 188,088</b>

## City of Delta Junction, Alaska

### Notes to Basic Financial Statements

In addition, employee contributions to the plan totaled \$8,924 during the City fiscal year.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2015
City proportionate share of NPL	\$ 329,281
State's proportionate share of NPL associated with the City	302,521
<b>Total Net Pension Liability</b>	<b>\$ 631,802</b>

The net pension liability was measured as of June 30, 2014, 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 a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2014, the City's proportion was 0.00705984 percent, which was an increase of 0.0003084 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$55,541 and on-behalf revenue of \$24,878 for support provided by the State. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(38,043)
Changes in proportion and differences between City contributions and proportionate share of contributions	9,153	-
City contributions subsequent to the measurement date	29,487	-
<b>Total Deferred Outflows and Deferred Inflows</b>	<b>\$ 38,640</b>	<b>\$ (38,043)</b>

# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

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The \$29,487 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

### *Years Ending June 30,*

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2016	\$	2,470
2017		7,399
2018		9,511
2019		9,510

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### *Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

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Inflation	3.12%
Salary Increases	Graded by service, from 6.36% to 4.12% for Peace Officers/Firefighters. Graded by age and service, from 9.6% to 3.62% for all others.
Investment Return / Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace officers/fire fighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination.

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The long-term expected rate of return on pension plan investments was determined using a 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 by adding expected inflation. The best estimates of arithmetic real rates of return for each major

**City of Delta Junction, Alaska**  
**Notes to Basic Financial Statements**

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asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	Long-Term Expected Real Rate of Return
Domestic equity	6.77%
International equity	7.50%
Private equity	10.86%
Fixed income	2.05%
Real estate	3.63%
Absolute return	4.80%

***Discount Rate***

The discount rate used to measure the total pension liability was 8.00%. The projection of 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 position 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.

***Discount Rate Sensitivity***

The following presents the Retirement System's net pension liability and the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.0%	\$ 6,115,581,980	\$ 4,664,148,458	\$ 3,441,888,494
City's proportionate share of the net pension liability	0.00705984%	\$ 431,750	\$ 329,281	\$ 242,992

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**City of Delta Junction, Alaska**  
**Notes to Basic Financial Statements**

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**10. Defined Contribution Pension Plan**

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution (DC) plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. 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. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

***Benefit Terms***

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

***Employee Contribution Rate***

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

***Employer Contribution Rate***

For the year ended June 30, 2015, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2015 were \$10,622 and \$16,995, respectively. The City contribution amount was recognized as pension expense/expenditures.

**11. Other Post-Employment Benefit (OPEB) Plans**

***Defined Benefit OPEB***

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

***Employer Contribution Rate***

The City is required to contribute 9.46% of covered payroll into the OPEB plan. Employees do not contribute.

**City of Delta Junction, Alaska**  
**Notes to Basic Financial Statements**

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**Annual Postemployment Healthcare Cost**

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2014 and 2013 were \$19,092 and \$20,237, respectively.

<i>Year Ended June 30,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2015	\$ 22,244	\$ 22,244	100 %
2014	26,287	26,287	100 %
2013	29,477	29,477	100 %

**Defined Contribution OPEB**

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

**Employer Contribution Rates**

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2015 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
<b>Total Contribution Rates</b>	<b>1.88%</b>	<b>2.72%</b>

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees.

**Annual Postemployment Healthcare Cost**

In 2015, the City contributed \$59,043 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

# City of Delta Junction, Alaska

## Notes to Basic Financial Statements

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### 12. 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 member's 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, 2015. 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.

### 13. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the City.

### 14. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined:

*GASB 72 - Fair Value Measurement and Application* - Effective for year-end June 30, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is expected to primarily affect investment disclosures.

*GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* - This statement contains certain clarifications and amendments to GASB 67 and 68 as well as establishing requirements for both defined benefit and defined contribution pensions not within the scope of GASB 68. Effective for fiscal year end June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for year ending June 30, 2017.

*GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - Effective for year-end June 30, 2017, with earlier application encouraged - This statement contains reporting financial reporting guidelines for Postemployment Benefit Plans. This is the

## City of Delta Junction, Alaska

### Notes to Basic Financial Statements

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Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

*GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - Effective for year-end June 30, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

*GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - Effective for year-end June 30, 2016, with earlier application encouraged - This statement clarifies the hierarchy of generally accepted accounting principles to be used in the preparation of state and local government financial statements. This statement supersedes the previous hierarchy established in GASB 55.

*GASB 77 - Tax Abatement Disclosures* - Effective for year-end June 30, 2017, with earlier application encouraged - This statement requires local governments to provide financial disclosures relating to tax abatements affecting the government. This includes information about abatement agreements entered into directly by the government, including conditions and criteria under which taxes can be abated, and the type and dollar amount of the tax. In addition, the statement requires disclosure of tax abatements issued by other governments that affect the local government's revenue recognition and reporting.

## Required Supplementary Information

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## City of Delta Junction, Alaska

## General Fund

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

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Intergovernmental	\$ 1,057,300	\$ 1,057,300	\$ 1,319,045	\$ 261,745
Charges for services	241,000	241,000	307,165	66,165
Corporate donation - SMM Pogo	360,000	360,000	360,000	-
Investment income	500	500	1,281	781
Other revenues	67,264	67,264	82,735	15,471
<b>Total Revenues</b>	<b>1,726,064</b>	<b>1,726,064</b>	<b>2,070,226</b>	<b>344,162</b>
<b>Expenditures</b>				
General government	551,691	551,691	580,863	(29,172)
Public safety	204,796	204,796	157,264	47,532
Community services	353,424	353,424	353,353	71
General maintenance	283,839	283,839	268,252	15,587
Sanitary landfill	232,507	232,507	183,595	48,912
Debt service payment	50,000	50,000	50,000	-
<b>Total Expenditures</b>	<b>1,676,257</b>	<b>1,676,257</b>	<b>1,593,327</b>	<b>82,930</b>
Excess of revenues over expenditures	49,807	49,807	476,899	427,092
<b>Other Financing Uses</b>				
Transfers out	-	-	(99)	(99)
Net change in fund balance	<u>\$ 49,807</u>	<u>\$ 49,807</u>	476,800	<u>\$ 426,993</u>
Fund Balance, beginning			<u>3,052,708</u>	
Fund Balance, ending			<u>\$ 3,529,508</u>	

*See accompanying notes to Required Supplementary Information.*

**City of Delta Junction, Alaska**

**Public Employees Retirement System**

**Schedule of the City's Information on the Net Pension Liability**

Year Ended June 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.00705984%	\$ 329,281	\$ 302,521	\$ 631,802	\$ 164,496	200%	62%

*See accompanying notes to Required Supplementary Information.*

**City of Delta Junction, Alaska**  
**Public Employees Retirement System**  
**Schedule of City Contributions**

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Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 29,487	\$ 29,487	-	\$ 154,961	19.029%

*See accompanying notes to Required Supplementary Information.*

## City of Delta Junction, Alaska

### Notes to Required Supplementary Information

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#### 1. General Fund Schedule of Revenues, Expenditures, and Changes in Fund balance

The General Fund Budgetary Comparison Schedule is presented on the modified accrual basis of accounting.

#### 2. Public Employees Retirement System - Schedule of the City's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2015, the Plan measurement date is June 30, 2014.

This table is intended to present ten years of information. Additional years information will be included as it becomes available.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

#### 3. Public Employees Retirement System - Schedule of City Contributions

This table is based on the City's contributions during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

This table is intended to present 10 years of information. Additional years' information will be included as it becomes available.

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## Supplementary Information

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## General Fund

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The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as administrative services, rescue squad and fire protection, general maintenance, planning, library, other community services, and sanitary landfill, etc.

General Fund revenues come from a variety of sources such as the Federal government, the State of Alaska, charges for services, and interest, etc. General Fund expenditures are made primarily for current day-to-day operating purposes.

City of Delta Junction, Alaska

Exhibit E-1

General Fund  
Balance Sheet

<i>June 30,</i>	2015	2014
<b>Assets</b>		
Cash and investments	\$ 3,452,381	\$ 2,566,904
Accounts receivable	8,156	-
Due from other funds	101,287	506,373
<b>Total Assets</b>	<b>\$ 3,561,824</b>	<b>\$ 3,073,277</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 11,871	\$ -
Accrued payroll and related liabilities	20,445	16,569
Unearned revenue	-	4,000
<b>Total Liabilities</b>	<b>32,316</b>	<b>20,569</b>
<b>Fund Balance</b>		
Unassigned	3,529,508	3,052,708
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,561,824</b>	<b>\$ 3,073,277</b>

## City of Delta Junction, Alaska

## General Fund

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
<b>Revenues</b>				
Intergovernmental:				
Federal government:				
Payment in lieu of taxes	\$ 900,000	\$ 989,272	\$ 89,272	\$ 927,849
Library grant	-	-	-	1,000
<b>Total Federal government</b>	<b>900,000</b>	<b>989,272</b>	<b>89,272</b>	<b>928,849</b>
State of Alaska:				
Revenue sharing	145,000	148,591	3,591	148,412
PERS relief	-	158,601	158,601	43,970
Library grant	6,600	6,650	50	6,600
Telephone and electric co-op tax	5,700	15,931	10,231	9,075
<b>Total State of Alaska</b>	<b>157,300</b>	<b>329,773</b>	<b>172,473</b>	<b>208,057</b>
<b>Total intergovernmental</b>	<b>1,057,300</b>	<b>1,319,045</b>	<b>261,745</b>	<b>1,136,906</b>
Charges for services:				
Fire service and subscriptions	15,000	18,234	3,234	20,645
Ambulance services	-	3,474	3,474	-
Sanitary landfill	150,000	210,801	60,801	150,747
Airport tie downs	4,000	4,000	-	4,000
E911 revenues	72,000	70,656	(1,344)	78,341
<b>Total charges for services</b>	<b>241,000</b>	<b>307,165</b>	<b>66,165</b>	<b>253,733</b>
Corporate donation - SMM Pogo	360,000	360,000	-	300,000
Investment income	500	1,281	781	1,125

## City of Delta Junction, Alaska

## General Fund

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

Years Ended June 30,	2015		Variance	2014
	Budget	Actual		Actual
<b>Revenues, continued</b>				
Other revenues:				
Hockey rink	\$ 16,513	\$ 16,680	\$ 167	\$ 16,514
Cemetery	3,000	10,800	7,800	5,000
Community center	2,000	4,335	2,335	3,698
Conference room	750	1,620	870	730
Park	100	150	50	17,470
Other	44,901	49,150	4,249	39,198
Total other revenues	67,264	82,735	15,471	82,610
<b>Total Revenues</b>	<b>1,726,064</b>	<b>2,070,226</b>	<b>344,162</b>	<b>1,774,374</b>
<b>Expenditures</b>				
General government:				
Personnel	378,796	423,920	(45,124)	340,071
Legal fees	25,000	17,584	7,416	36,616
Communications	11,690	9,076	2,614	9,067
Contracted services	10,400	11,849	(1,449)	9,079
Repairs and maintenance	4,100	3,163	937	3,597
Advertising	2,000	2,641	(641)	969
Donations	30,000	17,300	12,700	38,075
Insurance	16,745	17,419	(674)	12,841
Travel and per diem	12,000	10,684	1,316	7,517
Training	3,000	3,523	(523)	2,869
Audit and accounting	25,000	33,484	(8,484)	26,672
Dues and memberships	3,400	3,588	(188)	2,809
Credit/Debit card costs	-	207	(207)	-
Gas and oil	6,260	5,969	291	5,005
Utilities	7,000	5,720	1,280	6,080
Other	300	244	56	276
Supplies	6,000	9,921	(3,921)	6,516
Ambulance A/R write off	-	-	-	21,242
Equipment and capital outlay	10,000	4,571	5,429	4,145
Total general government	551,691	580,863	(29,172)	533,446

## City of Delta Junction, Alaska

## General Fund

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Public safety:				
Rescue squad:				
Personnel	\$ -	\$ -	\$ -	\$ 5,331
Communications	-	58	(58)	-
Contracted services	54,000	52,200	1,800	46,113
Repairs and maintenance	4,000	254	3,746	750
Insurance	12,883	13,534	(651)	11,810
Travel and per diem	-	118	(118)	-
Training	1,000	-	1,000	(60)
Dues and memberships	50	-	50	20
Gas and oil	900	748	152	2,882
Utilities	-	343	(343)	582
Supplies	100	65	35	30
<b>Total rescue squad</b>	<b>72,933</b>	<b>67,320</b>	<b>5,613</b>	<b>67,458</b>
Fire department:				
Personnel	7,925	-	7,925	8,086
Communications	2,042	1,844	198	2,303
Repairs and maintenance	6,500	5,829	671	5,347
Advertising	250	-	250	90
Insurance	14,122	14,742	(620)	10,879
Travel and per diem	2,000	10	1,990	354
Training	3,500	-	3,500	180
Dues and memberships	400	10	390	29
Gas and oil	19,090	12,845	6,245	13,945
Utilities	10,750	9,145	1,605	10,789
Supplies	3,640	745	2,895	3,565
Equipment and capital outlay	8,000	8,082	(82)	8,444
<b>Total fire department</b>	<b>78,219</b>	<b>53,252</b>	<b>24,967</b>	<b>64,011</b>
911 activity:				
Contracted services	12,000	11,144	856	10,513
911 telephone charges	13,000	10,923	2,077	12,662
<b>Total 911 activity</b>	<b>25,000</b>	<b>22,067</b>	<b>2,933</b>	<b>23,175</b>

## City of Delta Junction, Alaska

## General Fund

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

Years Ended June 30,	2015		2014	
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Public safety, continued:				
E911 activity:				
Personnel	\$ 18,844	\$ 11,903	\$ 6,941	\$ 13,383
Communications	1,200	1,222	(22)	1,372
Contracted services	5,000	1,500	3,500	2,451
Supplies	1,500	-	1,500	1,363
Equipment and capital outlay	2,100	-	2,100	150
Total E911 activity	28,644	14,625	14,019	18,719
Total public safety	204,796	157,264	47,532	173,363
Community services:				
Cemetery:				
Personnel	6,413	4,449	1,964	2,724
Contracted services	21,991	24,580	(2,589)	9,625
Repairs and maintenance	1,500	4,832	(3,332)	707
Utilities	291	236	55	321
Supplies	500	4,204	(3,704)	75
Total cemetery	30,695	38,301	(7,606)	13,452
Community center:				
Personnel	1,691	545	1,146	-
Communications	-	105	(105)	-
Repairs and maintenance	8,500	3,799	4,701	4,556
Insurance	5,150	5,410	(260)	4,556
Gas and oil	11,219	7,553	3,666	8,759
Utilities	3,000	2,407	593	2,466
Supplies	1,040	248	792	90
Equipment and capital outlay	3,000	370	2,630	3,815
Total community center	33,600	20,437	13,163	24,242
Library:				
Personnel	156,222	167,942	(11,720)	153,656
Communications	6,302	4,181	2,121	5,715
Contracted services	5,000	8,726	(3,726)	5,407
Repairs and maintenance	3,000	3,753	(753)	3,228

## City of Delta Junction, Alaska

## General Fund

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

Years Ended June 30,	2015		Variance	2014
	Budget	Actual		Actual
<b>Expenditures, continued</b>				
Community services, continued:				
Library, continued:				
Advertising	\$ 550	\$ 1,087	\$ (537)	\$ 334
Insurance	11,220	11,787	(567)	9,483
Ft. Greely expenditures	-	206	(206)	-
Travel and per diem	3,000	180	2,820	1,579
Dues and memberships	1,200	2,282	(1,082)	2,345
Library materials	9,770	8,976	794	9,157
Credit/Debit card costs	-	60	(60)	-
Gas and oil	9,405	4,505	4,900	5,987
Utilities	8,422	5,975	2,447	7,159
Supplies	3,500	3,748	(248)	2,651
Equipment and capital outlay	1,500	2,940	(1,440)	2,359
<b>Total library</b>	<b>219,091</b>	<b>226,348</b>	<b>(7,257)</b>	<b>209,060</b>
Parks and recreation:				
Personnel	3,712	1,828	1,884	7,528
Contracted services	9,300	14,576	(5,276)	6,414
Repairs and maintenance	2,000	4,418	(2,418)	13,509
Insurance	1,458	1,532	(74)	980
Utilities	630	421	209	377
Supplies	1,560	1,339	221	648
<b>Total parks and recreation</b>	<b>18,660</b>	<b>24,114</b>	<b>(5,454)</b>	<b>29,456</b>
Hockey rink:				
Personnel	3,679	2,433	1,246	1,641
Contracted services	2,000	1,605	395	625
Repairs and maintenance	3,000	5,192	(2,192)	2,433
Insurance	10,650	11,188	(538)	9,695
Gas and oil	18,380	13,607	4,773	12,235
Utilities	11,169	8,807	2,362	10,301
Supplies	2,500	1,321	1,179	1,545
<b>Total hockey rink</b>	<b>51,378</b>	<b>44,153</b>	<b>7,225</b>	<b>38,475</b>
<b>Total community services</b>	<b>353,424</b>	<b>353,353</b>	<b>71</b>	<b>314,685</b>

## City of Delta Junction, Alaska

## General Fund

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
General maintenance:				
Facility maintenance:				
Personnel	\$ 48,599	\$ 66,486	\$ (17,887)	\$ 22,788
Contracted services	5,000	87	4,913	5,183
Repairs and maintenance	6,000	388	5,612	790
Insurance	4,300	4,517	(217)	2,389
Travel and per diem	780	947	(167)	71
Training	1,000	255	745	106
Utilities	925	-	925	219
Supplies	2,150	2,637	(487)	3,153
Equipment and capital outlay	400	460	(60)	171
Total facility maintenance	69,154	75,777	(6,623)	34,870
Streets and runway maintenance:				
Personnel	103,374	110,801	(7,427)	79,432
Communications	-	1,057	(1,057)	-
Contracted services	12,000	7,925	4,075	37,891
Repairs and maintenance	9,275	13,263	(3,988)	14,586
Roads and grounds	12,000	9,905	2,095	12,294
Insurance	14,900	15,503	(603)	9,754
Dues and memberships	150	80	70	275
Gas and oil	25,410	15,738	9,672	17,232
Utilities	5,676	3,619	2,057	3,583
Supplies	1,900	4,112	(2,212)	756
Equipment and capital outlay	30,000	10,472	19,528	2,540
Total streets and runway maintenance	214,685	192,475	22,210	178,343
Total general maintenance	283,839	268,252	15,587	213,213
Land sales - contracted services	-	-	-	7,199

## City of Delta Junction, Alaska

## General Fund

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Sanitary landfill:				
Personnel	\$ 119,385	\$ 110,207	\$ 9,178	\$ 92,985
Communications	980	716	264	921
Contracted services	3,500	250	3,250	1,739
Repairs and maintenance	31,000	16,426	14,574	10,102
Insurance	13,005	13,663	(658)	8,540
Travel and per diem	-	-	-	127
Training	3,000	250	2,750	59
Dues and memberships	3,000	3,230	(230)	3,861
Credit/Debit card costs	-	805	(805)	-
Gas and oil	36,208	29,975	6,233	31,971
Utilities	7,289	6,254	1,035	7,162
Supplies	3,640	1,324	2,316	(89)
Equipment and capital outlay	11,500	495	11,005	-
<b>Total sanitary landfill</b>	<b>232,507</b>	<b>183,595</b>	<b>48,912</b>	<b>157,378</b>
Debt service payment	50,000	50,000	-	50,000
<b>Total Expenditures</b>	<b>1,676,257</b>	<b>1,593,327</b>	<b>82,930</b>	<b>1,449,284</b>
Excess of revenues over expenditures	49,807	476,899	427,092	325,090
<b>Other Financing Uses</b>				
Transfers out	-	(99)	(99)	(61,428)
Net change in fund balance	<u>\$ 49,807</u>	476,800	<u>\$ 426,993</u>	263,662
Fund Balance, beginning		<u>3,052,708</u>		<u>2,789,046</u>
Fund Balance, ending		<u>\$ 3,529,508</u>		<u>\$ 3,052,708</u>

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## **Special Revenue Funds**

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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.

## **Capital Project Funds**

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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.

## City of Delta Junction, Alaska

## Nonmajor Governmental Funds

## Combining Balance Sheet

	Special Revenue Funds		Capital Project Funds	
	Enhanced 911	Local Emergency Planning Committee	Library Heating System Repair	Library Front Door Improvement
<i>June 30, 2015</i>				
<b>Assets</b>				
Cash and investments	\$ 113,555	\$ -	\$ 23,650	\$ 5,550
Grants receivable	-	3,052	-	-
<b>Total Assets</b>	<b>\$ 113,555</b>	<b>\$ 3,052</b>	<b>\$ 23,650</b>	<b>\$ 5,550</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 3,052	\$ -	\$ -
Unearned revenue	-	-	23,650	5,550
<b>Total Liabilities</b>	<b>-</b>	<b>3,052</b>	<b>23,650</b>	<b>5,550</b>
<b>Fund Balances</b>				
Restricted for Enhanced 911	113,555	-	-	-
<b>Total Liabilities and Fund Balances</b>	<b>\$ 113,555</b>	<b>\$ 3,052</b>	<b>\$ 23,650</b>	<b>\$ 5,550</b>

**City of Delta Junction, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet, continued**

<i>June 30, 2015</i>	Capital Project Funds, continued		Total Nonmajor Governmental Funds
	Ice Rink Floor System Repair	Motor Grader	
<b>Assets</b>			
Cash and investments	\$ 4,785	\$ -	\$ 147,540
Grants receivable	-	608	3,660
<b>Total Assets</b>	<b>\$ 4,785</b>	<b>\$ 608</b>	<b>\$ 151,200</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 608	\$ 3,660
Unearned revenue	4,785	-	33,985
<b>Total Liabilities</b>	<b>4,785</b>	<b>608</b>	<b>37,645</b>
<b>Fund Balances</b>			
Restricted for Enhanced 911	-	-	113,555
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,785</b>	<b>\$ 608</b>	<b>\$ 151,200</b>

**City of Delta Junction, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

	Special Revenue Funds		Capital Project Funds	
	Enhanced	Local Emergency Planning Committee	EMS Rescue Squad Ambulance	Library Heating System Repair
<i>Year Ended June 30, 2015</i>	911			
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 6,095	\$ 4,052	\$ 1,350
Investment income	11	-	-	-
<b>Total Revenues</b>	11	6,095	4,052	1,350
<b>Expenditures</b>				
Personnel	-	808	-	-
Contracted services	-	5,288	-	1,350
Supplies	-	98	-	-
Equipment	-	-	4,052	-
<b>Total Expenditures</b>	-	6,194	4,052	1,350
Excess of revenues over (under) expenditures	11	(99)	-	-
<b>Other Financing Sources</b>				
Transfers in	-	99	-	-
Net change in fund balances	11	-	-	-
<b>Fund Balances, beginning</b>	113,544	-	-	-
<b>Fund Balances, ending</b>	\$ 113,555	\$ -	\$ -	\$ -

**City of Delta Junction, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances (Deficit), continued**

<i>Year Ended June 30, 2015</i>	Capital Project Funds, continued				Total Nonmajor Governmental Funds
	Ice Rink Floor Sytem Repair	Plow Truck With Sander	Imagination Library	Motor Grader	
<b>Revenues</b>					
Intergovernmental	\$ 978	\$ 558	\$ 10,000	\$ 608	\$ 23,641
Investment income	-	-	-	-	11
<b>Total Revenues</b>	<b>978</b>	<b>558</b>	<b>10,000</b>	<b>608</b>	<b>23,652</b>
<b>Expenditures</b>					
Personnel	-	-	-	-	808
Contracted services	978	558	10,000	608	18,782
Supplies	-	-	-	-	98
Equipment	-	-	-	-	4,052
<b>Total Expenditures</b>	<b>978</b>	<b>558</b>	<b>10,000</b>	<b>608</b>	<b>23,740</b>
Excess of revenues over (under) expenditures	-	-	-	-	(88)
<b>Other Financing Sources</b>					
Transfers in	-	-	-	-	99
Net change in fund balances	-	-	-	-	11
<b>Fund Balances, beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,544</b>
<b>Fund Balances, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,555</b>

**City of Delta Junction, Alaska**  
**Permanent Fund Special Revenue Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**

<i>Years Ended June 30,</i>	2015	2014
<b>Revenues</b>		
Investment income	\$ 8,136	\$ 18,462
<b>Total Revenues</b>	8,136	18,462
<b>Fund Balance, beginning</b>	1,513,794	1,495,332
<b>Fund Balance, ending</b>	\$ 1,521,930	\$ 1,513,794

**City of Delta Junction, Alaska**  
**Schedule of Expenditures of Federal Awards**  
*Year Ended June 30, 2015*

Name of Award	Grant Number	CFDA Number	Total Grant Award	Federal Share of Expenditures
<b>Department of the Interior</b>				
Passed through the State of Alaska Department of Commerce, Community and Economic Development -				
Payment in Lieu of Taxes	N/A	15.226	\$ 989,272	<u>\$ 989,272</u>

*See Accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.*

**City of Delta Junction, Alaska**  
**Schedule of State Financial Assistance**  
*Year Ended June 30, 2015*

Name of Award	Grant Number	Total Grant Award	State Share of Expenditures
<b>Department of Commerce, Community and Economic Development</b>			
EMS Rescue Squad Ambulance	11-DC-199	\$ 175,000	\$ 4,052
* Solid Waste and Septage Cell	11-DC-201	875,000	157,600
* Public Works Building Improvement and Expansion	13-DC-478	1,500,000	776,841
Library Heating System or Replacement	13-DM-087	25,000	1,350
Liewer-Olmstead Ice Arena Floor Surface	13-DM-222	50,000	978
LED Lighting Upgrades	14-DC-044	97,500	46,750
Mid-Sized Plow Truck with Sander	14-DC-045	175,000	558
* FY15 Community Revenue Sharing	FY15	148,591	148,591
Imagination Library Book Purchase and Shipping	15-DC-045	10,000	10,000
Motor Grader for Maintenance and City Streets	15-DC-046	465,000	<u>608</u>
<b>Total Department of Commerce, Community and Economic Development</b>			<u>1,147,328</u>
<b>Department of Military and Veterans Affairs</b>			
2015 Local Emergency Planning Committee Grant	15LEPC-GR35602	6,095	<u>6,095</u>
<b>Department of Revenue</b>			
Electric and Telephone Co-op Tax	FY14	7,775	7,775
Electric and Telephone Co-op Tax	FY15	8,156	<u>8,156</u>
<b>Total Department of Revenue</b>			<u>15,931</u>
<b>Department of Education and Early Development</b>			
Public Library Assistance	FY15	6,650	<u>6,650</u>
<b>Department of Administration</b>			
* PERS on Behalf	FY15	158,601	<u>158,601</u>
<b>Total State Financial Assistance</b>			<u>\$ 1,334,605</u>

\* Major program

*See Accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.*

# City of Delta Junction, Alaska

## Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2015

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Delta Junction, Alaska under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Delta Junction.

The accompanying schedule of state financial assistance (the "Schedule") includes the state grant activity of City of Delta Junction, Alaska under programs of the State government for the year ended June 30, 2015. 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 the City, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Delta Junction.

Expenditures reported on both schedules are reported on the modified accrual basis of accounting.

### 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedules are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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## Single Audit Section

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Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's 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***

Honorable Mayor and City Council  
City of Delta Junction, 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, each major fund, and the aggregate remaining fund information of City of Delta Junction, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Delta Junction's basic financial statements, and have issued our report thereon dated January 13, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Delta Junction'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 City of Delta Junction's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Delta Junction's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 and 2015-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003 to be a significant deficiency.

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### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City of Delta Junction'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*.

### ***City of Delta Junction's Response to Findings***

The City of Delta Junction's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Delta Junction's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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.

*BDO USA, LLP*

Anchorage, Alaska  
January 13, 2016



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133**

Honorable Mayor and City Council  
City of Delta Junction, Alaska

### **Report on Compliance for Each Major Federal Program**

We have audited City of Delta Junction's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Delta Junction's major federal programs for the year ended June 30, 2015. City of Delta Junction's major federal programs are identified in the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

### ***Opinion on Each Major Federal Program***

In our opinion, City of Delta Junction 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, 2015.

### **Report on Internal Control Over Compliance**

Management of City of Delta Junction 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 Delta Junction's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Delta Junction's internal control over compliance.

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

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

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

*BDO USA, LLP*  
Anchorage, Alaska  
January 13, 2016



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

Honorable Mayor and City Council  
City of Delta Junction, Alaska

### **Report on Compliance for Each Major State Program**

We have audited City of Delta Junction'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 Delta Junction's major state programs for the year ended June 30, 2015. City of Delta Junction's major state programs are identified in the accompanying schedule of state financial assistance.

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

### ***Opinion on Each Major State Program***

In our opinion, City of Delta Junction 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, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004. Our opinion on each major state program is not modified with respect to this matter.

City of Delta Junction's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Delta Junction's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***Report on Internal Control over Compliance***

Management of City of Delta Junction 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 Delta Junction'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 Delta Junction'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004 that we consider to be a material weakness.

City of Delta Junction's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Delta Junction's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

BDO USA, LLP

Anchorage, Alaska  
January 13, 2016

**City of Delta Junction, Alaska**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes      no

Significant deficiency(ies) identified? X yes      (none reported)

Noncompliance material to financial statements noted?      yes X no

**Federal Financial Assistance**

Internal control over major federal programs:

Material weakness(es) identified?      yes X no

Significant deficiency(ies) identified?      yes X (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?      yes X no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
15.226	Payment in Lieu of Taxes	Department of Interior

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

Auditee qualified as low-risk auditee? X yes      no

**State Financial Assistance**

Internal control over major programs:

Material weakness(es) identified? X yes      no

Significant deficiency(ies) identified?      yes X (none reported)

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

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

## City of Delta Junction, Alaska

### Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2015

<b>Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards</b>
---

<b>Finding 2015-001</b>	<b>Bank Reconciliations - Material Weakness in Internal Control</b>
<i>Criteria</i>	Internal controls and procedures should be established to ensure proper and accurate financial reporting in accordance with generally accepted accounting principles (GAAP).
<i>Condition</i>	Bank accounts were not reconciled throughout the year.
<i>Context</i>	During the final audit work, auditor noted that the City's bank accounts were not reconciled to the general ledger.
<i>Effect</i>	The City's general ledger may not accurately reflect the City's bank account balances.
<i>Cause</i>	The City's Finance Officer is still adjusting to her responsibilities as she is relatively new to her position and adjusting to her new role and the required internal control procedures.
<i>Recommendation</i>	In order for the financial statements to accurately reflect the City's bank account balances as of year-end, bank accounts should be reconciled to the City's financial systems. This function should be performed throughout the year to ensure the City's financial system accurately reflects available cash balances in the City's bank accounts at all times.
<i>Views of responsible officials and planned corrective actions</i>	See the corrective action plan
<b>Finding 2015-002</b>	<b>Year End Financial Reporting - Material Weakness in Internal Control</b>
<i>Criteria</i>	Internal controls should be established to ensure proper and accurate financial reporting in accordance with generally accepted accounting principles (GAAP).
<i>Condition</i>	Certain general ledger accounts were not fully reconciled at year end.
<i>Context</i>	During the final audit work, auditor noted that certain accounts, such as capital assets, accounts payable, grant revenue, grant receivables, due to from accounts, deferred revenue, interest income and depreciation required adjustments to conform to GAAP.
<i>Effect</i>	Several adjustments were required to complete the year end financial statements in accordance with GAAP.
<i>Cause</i>	Finance officer is new to the position and is still learning what is required to be done at year end.
<i>Recommendation</i>	In order to make the year-end financial statements as accurate as

## City of Delta Junction, Alaska

### Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2015

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	possible, the City should fully reconcile and adjust the general ledger accounts.
<i>Views of responsible officials and planned corrective actions</i>	See the corrective action plan.
<b>Finding 2015-003</b>	<b>Journal Entry Approval and Review - Significant Deficiency in Internal Control</b>
<i>Criteria</i>	Internal controls and procedures should be established to ensure approval of journal entries, and review of supporting documentation related to these entries.
<i>Condition</i>	Journal entries and supporting documentation were not reviewed throughout the year.
<i>Context</i>	During the final audit work, auditor noted that journal entries and the accompanying supporting documentation were not reviewed by a responsible individual in addition to the preparer.
<i>Effect</i>	The City's general ledger accounts may contain erroneous amounts.
<i>Cause</i>	The staff at the City is relatively small, which poses a challenge for adequate segregation of duties. The City's Finance Officer is still adjusting to her responsibilities as she is relatively new to her position.
<i>Recommendation</i>	Journal entries and supporting documentation should be reviewed by an individual with the proper authority in order to ensure that transaction amounts processed through journal entries are free from error, and adequately supported.
<i>Views of responsible officials and planned corrective actions</i>	See the corrective action plan

#### **Section III - Federal Award Findings and Questioned Costs**

There were no findings and questioned costs for federal awards (as defined in section 510(a) of the Circular) that are required to be reported.

**City of Delta Junction, Alaska**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2015**

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**Section IV - State Award Findings and Questioned Costs**

<b>Finding 2015-004</b>	<b>Accuracy of Assistance Reimbursement Requests - Noncompliance and Material Weakness in Internal Control Over Compliance - Reporting</b>
	Grant number: 13-DC-478 Grant name: Public Works Building Improvement and Expansion Agency: Department of Commerce, Community, and Economic Development
<i>Criteria</i>	Internal controls and procedures should be established to ensure accurate reporting of expenditures incurred under a grant agreement.
<i>Condition</i>	A financial report request filed with the awarding agency reported inaccurate expenditures to the awarding agency.
<i>Questioned costs</i>	\$23,019 (NOTE: This amount has been removed from the reported expenditures on the Schedule of State Financial Assistance).
<i>Context</i>	During the final audit work, we noted that expenditures of \$23,019 were overreported to the awarding agency.
<i>Effect</i>	The City received a reimbursement payment based on an inaccurate financial report.
<i>Cause</i>	Expenditures reported to the awarding agency were not reconciled correctly to the general ledger.
<i>Recommendation</i>	We suggest that management implement a policy to reconcile expenditures reported to awarding agencies to the general ledger in order to ensure that expenditures reported as incurred under grant agreements are accurate.
<i>Views of responsible officials and planned corrective actions</i>	See the corrective action plan

**City of Delta Junction, Alaska**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2015**

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**Government Auditing Standards**

There were no audit findings in the prior year.

**Federal Award Findings and Questioned Costs**

There were no federal award findings in the prior year.

**State Award Findings and Questioned Costs**

There were no state award findings in the prior year.



# City of Delta Junction

P.O. Box 229, Delta Junction, Alaska 99737  
Ph 907-895-4656 Fax 907-895-4375  
www.ci.delta-junction.ak.us  
city@ci.delta-junction.ak.us

*Welcome to the Friendly Frontier*

## Corrective Action Plan

Contact Person: Stephanie Prestwich  
Finance Director  
(907) 895-4656

### Financial Statement Findings

<b>Finding 2015-004</b>	<b>Bank Reconciliations - Material Weakness in Internal Control</b>
<i>Corrective Action</i>	The City has obtained new accounting software, Cougar mountain Software Denali. We will begin using the bank reconciliation in this software every month.
<i>Implementation</i>	Immediate
<b>Finding 2015-002</b>	<b>Year End Financial Reporting - Material Weakness in Internal Control</b>
<i>Corrective Action</i>	The City Finance Director will obtain additional training through its GFOA affiliation. In addition the City will consider getting additional help from outside consultants to assist with yearend close and audit preparation.
<i>Implementation</i>	2016
<b>Finding 2015-003</b>	<b>Journal Entry Approval and Review - Significant Deficiency in Internal Control</b>
<i>Corrective Action</i>	The City will implement a process of to have the City Administrator review all journal entries posted to the system.
<i>Implementation</i>	Immediate

### Federal Award Findings

There were no reported federal findings.

<b>State Award Findings</b>
-----------------------------

<b>Finding 2015-003</b>	<b>Accuracy of Assistance Reimbursement Requests - Noncompliance and Material Weakness in Internal Control Over Compliance - Reporting</b>
<i>Corrective Action</i>	The City will verify the reimbursement requests for current period and cumulatively for each pay request to avoid duplication.
<i>Implementation</i>	Immediate