CITY OF GUSTAVUS

Basic Financial Statements,
Additional Supplementary Information
and Compliance Report

Year Ended June 30, 2015

Altman, Rogers & Co.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF GUSTAVUS

Basic Financial Statements,
Additional Supplementary Information
and Compliance Report

Year Ended June 30, 2015

CITY OF GUSTAVUS

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Altman, Rogers & Co. | CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Mayor and City Council
City of Gustavus
Gustavus, Alaska

Ladies and Gentlemen:

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 the City of Gustavus (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Offices in Juneau and Soldotna A Professional Corporation

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 the City of Gustavus as of June 30, 2015 and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 to 23 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 requires 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gustavus basic financial statements. The Information listed in the Table of Contents as "Additional Supplementary Information" including Major Funds: Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual, Other Governmental Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual – Special Revenue Funds, and Schedule of Revenues, Expenditures and Changes in Fund Balance Capital Project Funds, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

Honorable Mayor and City Council
City of Gustavus

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 21, 2016, on our consideration of the City of Gustavus internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gustavus internal control over financial reporting and compliance.

Altman, Rogers & Co.

Anchorage, Alaska
March 21, 2016

Exhibit A-1

CITY OF GUSTAVUS

Statement of Net Position

June 30, 2015

		Governmental Activities
Assets		
Current:		
Cash and cash equivalents	$	2,518,172
Investments		1,292,414
Receivables		127,145
Inventory		2,890
Total current assets		3,940,621
Non-current:		
Capital assets		6,289,350
Accumulated depreciation		(1,527,888)
Total non-current assets		4,761,462
Total assets		8,702,083
Liabilities		
Current:		
Accounts payable		72,343
Accrued payroll and withholdings		6,838
Unearned revenue		3,761
Total current liabilities		82,942
Net Position		
Net investment in capital assets		4,761,462
Restricted		84
Unrestricted		3,857,595
Total net position	$	8,619,141

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

CITY OF GUSTAVUS

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Total Governmental Activities
Governmental Activities:					
General government	$ 402,125	26,929	-	16,934	(358,262)
Public safety	125,282	-	7,255	54,237	(63,790)
Public works	1,913,467	69,327	5,815	5,921	(1,832,404)
Community services	183,345	55,717	14,739	428,312	315,423
Total governmental activities	$ 2,624,219	151,973	27,809	505,404	(1,939,033)

General revenues:	
Taxes	405,147
Interest and investment revenue	22,432
Grants and contributions not restricted to specific programs	292,854
Other	47,263
Total general revenues	767,696
Change in net position	(1,171,337)
Net position - beginning of year	9,790,478
Net position - end of year	$ 8,619,141

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

CITY OF GUSTAVUS

Balance Sheet - Governmental Funds

June 30, 2015

Assets	General Fund	City Recycling Project Special Revenue Fund	Fish Passage Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,514,306	-	-	3,866	2,518,172
Investments	1,292,414	-	-	-	1,292,414
Receivables:					
Local	55,515	-	-	-	55,515
Federal	-	-	71,630	-	71,630
Inventory	2,890	-	-	-	2,890
Due from other funds	222,202	-	-	14,600	236,802
Total assets	$ 4,087,327	-	71,630	18,466	4,177,423
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)					
Liabilities:					
Accounts payable	72,343	-	-	-	72,343
Accrued payroll and withholdings	6,838	-	-	-	6,838
Due to other funds	14,600	131,505	71,630	19,067	236,802
Unearned revenue	-	-	-	3,761	3,761
Total liabilities	93,781	131,505	71,630	22,828	319,744
Deferred inflows of resources:					
Unavailable revenues	49,500	-	-	-	49,500
Total liabilities and deferred inflows of resources	143,281	131,505	71,630	22,828	369,244
Fund Balances (Deficit):					
Nonspendable:					
Inventory	2,890	-	-	-	2,890
Restricted:					
Reading with Rachell	-	-	-	84	84
Committed:					
City recycling	-	-	-	-	
Continuing education library	-	-	-	51	51
Lands	-	-	-	10,704	10,704
Assigned:					
City recycling	122,518	-	-	-	122,518
Community network	3,866	-	-	-	3,866
Fire department	781	-	-	-	781
Lands	6,509	-	-	-	6,509
Library	50,005	-	-	-	50,005
Marine facilities	77,880	-	-	-	77,880
Public works	34,674	-	-	-	34,674
Road maintenance	465,415	-	-	-	465,415
Endowment fund	1,403,944	-	-	-	1,403,944
Unassigned	1,775,564	(131,505)	-	(15,201)	1,628,858
Total fund balances (deficit)	3,944,046	(131,505)	-	(4,362)	3,808,179
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 4,087,327	-	71,630	18,466	4,177,423

Amounts reported as fund balances on the governmental funds	$ 3,808,179
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	4,761,462
Other long-term assets are not available to pay for current period expenditures and therefore are shown as deferred inflows of resources in the fund financial statements. These assets consist of:	
Delinquent taxes receivable	49,500
Net position of governmental activities	$ 8,619,141

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

CITY OF GUSTAVUS

Statement of Revenues, Expenditures and Changes
in Fund Balances (Deficit) - Governmental Funds

Year Ended June 30, 2015

	General Fund	City Recycling Project Special Revenue Fund	Fish Passage Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources:					
Taxes	$ 407,948	-	-	-	407,948
Charges for services	26,929	74,714	-	55,717	157,360
Interest and investment revenue	22,432	-	-	-	22,432
Other	47,263	428	-	1,700	49,391
Intergovernmental:					
State of Alaska	121,073	-	-	282,872	403,945
Federal sources	171,781	-	71,630	171,196	414,607
Total revenues	797,426	75,142	71,630	511,485	1,455,683
Expenditures:					
Current:					
General government	304,072	-	-	-	304,072
Public safety	80,954	-	-	7,255	88,209
Public works	118,093	131,063	-	-	249,156
Community services	107,968	-	-	54,253	162,221
Capital outlay	-	-	71,630	435,484	507,114
Total expenditures	611,087	131,063	71,630	496,992	1,310,772
Excess (deficiency) of revenues over (under) expenditures	186,339	(55,921)	-	14,493	144,911
Other financing sources (uses):					
Transfer in	-	-	-	1,560	1,560
Transfer out	(1,560)	-	-	-	(1,560)
Net other financing sources (uses)	(1,560)	-	-	1,560	-
Net change in fund balances	184,779	(55,921)	-	16,053	144,911
Fund balances (deficits), beginning of year	3,759,267	(75,584)	-	(20,415)	3,663,268
Fund balances (deficit), end of year	$ 3,944,046	(131,505)	-	(4,362)	3,808,179

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

CITY OF GUSTAVUS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

Year Ended June 30, 2015

Net change in fund balance - total government funds		$ 144,911
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.		
This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays	454,529	
Impairement of assets	(1,594,289)	
Depreciation expense	(176,405)	
Net		(1,316,165)
Revenue in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the change in unavailable revenues.		(2,801)
Compensated absences expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		2,718
Change in net position of governmental activities		$ (1,171,337)

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the City of Gustavus (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City of Gustavus, Alaska, is a municipal corporation and political subdivision of the State of Alaska, incorporated as a second class city in 2004. The City is a small town with population of approximately 500 people which operates under a Mayor-Council form of government.

The City provides a variety of services including general administration, street maintenance and fire services, solid waste and recycling services, boat harbor services, public improvements, library and internet services.

There are no component units combined with the City for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the City's financial statements present only the activities for which its elected governing board is financially accountable.

The more significant of the City's accounting policies are described below:

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not presently have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Deferred inflows of resources are the acquisition of Fund Balance / Net Position by the City that are applicable to a future reporting period. Deferred outflows of resources are the consumption of Fund Balance / Net Position by the City that are applicable to a future reporting period.

Separate financial statements are provided for governmental fund types. Major individual governmental funds are reported as separate columns in the fund financial statements. All other funds presented in a single column as “other governmental funds”.

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

The Government-Wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates resources according to their intended purpose and is used to and management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City reports the following major governmental funds:

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

The *City Recycling Project Special Revenue Fund* accounts for the recycling charges and activities of the City related to the recycling project in the City.

The *Fish Passage Improvement Capital Project Fund* is used for the improvement of the salmon habitat.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as program revenues include 1) Charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Summarized below are the major sources of revenue, which are susceptible to accrual and the applicable recognition policies:

Intergovernmental Revenue:

State of Alaska and federal government cost reimbursable grants and contracts and State of Alaska construction grant revenues are recorded to the extent of allowable expenditures in the period the expenditures are incurred.
State of Alaska fisheries business tax, revenue sharing, federal funds passed through the State of Alaska in form of forest receipts and PILT payments are recorded in the fiscal year to which they relate.

Local Revenue:

The City collects various taxes and charges for services such as sales tax, bed tax, facilities usage fees, library and business license fees. The City also receives additional local revenue in the form of donations, lease payments, gravel sales and revenue from other local sources which are recognized in the year received. The City earns interested on their investments and the interest is recorded in the General Fund and susceptible to accrual.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, mutual funds and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments are stated at fair value. These investments are managed under Chapter 4.13 of the City's Code of Ordinances, Gustavus Endowment Fund. The goal is to minimize credit and market risks, mitigate negative effects of inflation and to preserve city assets for the benefit of present and future generations of Gustavus residents. The long-term goal of the fund is to achieve a three percent plus inflation total return on the investments.

3. Short-term Interfund Receivables and Payables

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

4. Receivable

Receivables consist of both due from federal sources and local sources. Revenues from taxes, net of estimated refunds, are to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. As a result, tax payments due at year end, relating to the tax period ending June 30, 2015, are recorded as receivable.

5. Inventory

Accounting for inventory of heating fuel is on the consumption method. The consumption method records the expenditure when consumed rather than when purchased. Inventory is valued at cost using the first-in, first-out (FIFO) method. Reported inventory is equally offset by a non-spendable fund balance in the Fund Financial Statements, which indicates that they do not constitute "available spendable resources" even though they are a component of net position.

6. Capital Assets

Capital assets used in governmental fund types of the City are recorded in the Government-Wide Financial Statements at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are depreciated on the straight-line method in the Government-Wide Financial Statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives or are not individually greater than $5,000 are not capitalized in the Government-Wide Financial Statements, but are instead considered part of Operations and Maintenance expenses.

7. Unearned Revenue/Unavailable Revenue

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. A liability is reported for unpaid accumulated leave as a provision for payment or use upon termination. Leave is paid out at the current rate of pay at the date of termination. All paid time off is accrued when incurred in the government-wide financial statements. A liability for these amounts is only reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements.

9. Net Position

In the government-wide financial statements, net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

10. Fund Balance

In the fund financial statements, fund balance includes five classifications as follows:

Nonspendable fund balance – amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid items, supplies, and long-term receivables). Such constraint is binding until the legal or contractual requirement is repealed or the amounts become spendable.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed Fund Balance – amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted by the Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – amounts intended to be used by the City for specific purposes: intent can be expressed by the Council or by the City Mayor or designee. Such constraint is binding unless modified or eliminated by the Council or City Mayor. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed.

Unassigned Fund Balance – amounts not contained in the other classifications and available for any purpose. Positive unassigned amounts will be reported only in the General Fund. If another governmental fund, other than the General Fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.

The order of spending, regarding the restricted and unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The Mayor reports to the Council as close to the end of the year as possible the anticipated year-end fund balance or deficit. The Council takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

The City's Special Revenue Funds are used to account for services provided to its citizens and other programs that are restricted or committed.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles general accepted in the United States of America for all governmental funds except the Capital Projects Funds. Capital Project Funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end. Unexpected Grant Funds are reappropriated at the beginning of the year for any unexpended prior year appropriations.

Budgetary control is exercised at the fund level. The City is authorized to transfer budget amounts within a fund; however, any supplemental appropriations that amend the total expenditures of any fund require approval.

B. Deficit in Fund Equity

For the year ended June 30, 2015, the City had a deficit in fund balance in the following funds:

Special Revenue Fund:

Disposal and Recycling Center	$131,505
Gustavus Community Network	15,201

This deficit will be covered by future operations from revenue generated from local sources.

C. Excess of Expenditures over Appropriations

The following had expenditures in excess of appropriations for the year ended June 30, 2015:

Special revenue funds:		
Gustavus Community Network	$	14,662
City Recycling Project		24,678

Excess expenditures in the Special Revenue Funds were financed by additional current year revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents and Investments

All deposits are carried at fair value. The City has adopted an investment policy for funds to be managed in accordance with the Prudent Expert Rule which requires management with care, skill, prudence, and diligence. The city funds may be invested in the following types of securities:

1. Obligations of the United States or obligations either insured by or guaranteed by agencies and instrumentalities of the United States.
2. Notes or bonds issued by the State of Alaska or its political subdivisions, or other states of the United States, maturing within two years, with a credit rating of A - /A3 or better from two national rating agencies.
3. Federally insured or fully collateralized certificates of deposit of banks and credit unions, maturing within two years.
4. Repurchase agreements are collateralized by U.S. Treasury securities and marked-to-market. If purchase agreements are overnight investments or if securities are collateralized in excess of one hundred two percent, marked-to-market is not necessary.
5. A state investment pool formed within the State of Alaska and comprised of agencies of the state and/or its political subdivisions.
6. Money market mutual funds whose portfolios consist entirely of U.S. government securities.

7. Any of the following:

   (A) Mortgage-backed and asset backed obligations denominated in U.S. dollars with a credit rating of A-/A3 or better from two national rating agencies.

   (B) Corporate debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a rating of A-/A3 or better from at least two national rating agencies.

   (C) Convertible debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a rating of A-/A3 or better from at least two national rating agencies.

   (D) Domestic equities, which taken as a whole, attempt to mirror the characteristics or replicate the Standard and Poor's 500 Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

   (E) Bond funds which taken as a whole, attempt to replicate the Barclays Aggregate Index or similar characteristics, including both mutual funds and exchange traded funds (ETFs).

All of the City's cash and investments at June 30, 2015 are either held by or purchased through United States banks, credit unions, or brokers.

Custodial credit risk – is the risk that in an event of a bank or counterparty failure, the City's deposits and investments will not be returned. The City maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reported on the balance sheet as "Cash and cash equivalents" or amounts "due to/from funds." The City's bank accounts are insured by the Federal Depository Insurance Corporation (FDIC) to a maximum of $250,000. At June 30, 2015, the City exceeded insured limits by $2,142,051. The insured or collateralized balance does not protect against market share losses. Investments held by the City of Gustavus are protected by the Securities Investor Protection Corporation (SIPC) up to $500,000 per customer per financial institution. At June 30, 2015, the City's investment balances were uninsured by $788,559.

A listing of the City's investments is as follows:

		Carrying amount and fair value	Investment Maturity (in years) 1 to 5	5 to 10
Exchange-traded bond funds	$	558,355	558,355	-
Exchange-traded REIT		65,279	65,279	-
Exchange-traded funds		668,780	668,780	-
Total investments	$	1,292,414	1,292,414	-

Credit risk: The City of Gustavus does limit its investments to specific ratings. At June 30, 2015, the City's ratings on bonds ranged from A to A3 or better from at least two national rating agencies.

Concentration of credit risk: The following ETF bonds and funds were greater than 5 percent of the total investments:

Type of Investments		Amount	Of Investment
Vanguard Bond ETF short term	$	145,163	10%
Vanguard Bond ETF total market	$	529,551	38%
SPDR S&P 500 ETF TR	$	302,805	22%
Vanguard FTSE Developed	$	108,443	8%
Vanguard short inflation	$	145,164	10%

B. Receivables

At June 30, 2015, receivables for the City's individual major funds, the General Fund and other governmental funds, are as follows:

Receivables	General Fund	Fish Passage Improvement Capital Project Fund	Total Governmental Funds
Local	86,352	-	86,352
Grants	-	71,630	71,630
Allowance	(30,837)	-	(30,837)
Total net receivables	55,515	71,630	127,145

Management has determined that a portion of receivables are uncollectible; therefore an allowance for uncollectable accounts in the amount of $30,837 has been established.

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenues in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the component of *deferred inflows and unearned revenues* reported in the governmental funds were as follows:

		Unearned Revenues	Deferred Inflows
Delinquent property and sales taxes	$	-	49,500
Grant unearned revenue		3,761	-
Total	$	3,761	49,500

C. Capital Assets

The following is a summary of changes in the capital assets for the year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 421,000	-	-	421,000
Construction in progress	188,589	433,269	-	621,858
Total capital assets not being depreciated	609,589	433,269	-	1,042,858
Capital assets being depreciated:				
Building	4,483,740	-	-	4,483,740
Equipment	203,170	21,260	-	224,430
Infrastructure	2,187,587	-	1,649,265	538,322
Total capital assets being depreciated	6,874,497	21,260	1,649,265	5,246,492
Less accumulated depreciation for:				
Building	989,731	139,808	-	1,129,539
Equipment	197,907	2,565	-	200,472
Infrastructure	218,821	34,032	54,976	197,877
Net accumulated depreciation	1,406,459	176,405	54,976	1,527,888
Net capital assets, being depreciated	5,468,038	(155,145)	1,594,289	3,718,604
City capital assets, net	$ 6,077,627	278,124	1,594,289	4,761,462

Depreciation expense was charged to functions of the City as follows:

General government	$ 81,466
Public safety	30,586
Public works	19,800
Community services	44,553
Total	$ 176,405

Buildings, vehicles, equipment and infrastructure used in the governmental fund types are depreciated under the straight-line method with estimated useful lives as follows:

	Life in Years
Buildings	30
Vehicles	5
Equipment	5-15
Infrastructure	10-30

D. Impairment of Capital Assets

Management evaluated the recoverability of the investment in capital assets on an ongoing basis and recognizes any impairment in the year of determination. Capital assets were tested for impairment as of June 30, 2015, and in the opinion of management, the Harbor Float System was 100% destroyed. The net book value of the asset was in the amount of $1,594,289. There was no impairment of other assets. It is reasonable that relevant conditions could change in the near term and necessitates a change in the management's estimate of the recoverability of these assets.

E. Interfund Receivables and Payables and Transfers

Interfund receivables and payables are shown as "Due To" and "Due From" in each of the individual funds. These balances at June 30, 2015 were as follows:

Receivable Fund	Payable Fund		Amount
General Fund	City Recycling Project	$	131,505
General Fund	Other Governmental Funds		19,067
General Fund	Fish Passage Improvements		71,630
Other Governmental Funds	General Fund		14,600
		$	236,802

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

		Transfer in:
		Other Governmental Funds
Transfer out:		
General Fund	$	1,560

Transfers are used to move unrestricted revenues to finance various programs that the City accounts for in other funds, including amounts provided as subsidies or matching funds for various grant programs.

F. 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 State 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. However, at this time, the study to estimate the ultimate cost of closure and postclosure monitoring has not been completed. As a result, there is no accrual to provide for these costs in the financial statements.

IV. OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the City's. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City's management expects such amounts, if any, to be immaterial.

B. Land Lease

The City has entered into a land lease agreement with GCI Communication for monthly payments of $227. The lease expires on May 31, 2017 with the option to renew. The future minimum payments are as follows:

Year	Amount
2016	2,727
2017	2,499
Total	$ 5,226

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

D. Related Parties

As a result of the City's business activities and the geographic isolation of its operations, transactions are conducted in the normal course of business with management and City members.

E. Concentrations

The City is dependent upon federal and state revenues to provide 54% of total revenues. A significant reduction of federal/state revenue or awards could impair the City's ability to continue City's operations.

F. Subsequent Accounting Pronouncements

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

- GASB 72 – *Fair Value Measurement and Application.* Effective for periods beginning after June 15, 2015.
- 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 67 and 68.* Effective for fiscal years beginning after June 15, 2015.
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Effective for fiscal years beginning after June 15, 2016.
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Effective for fiscal years beginning after June 15, 2017.
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* Effective for fiscal years beginning after June 15, 2015.
- GASB 77 – *Tax Abatement Disclosures.* Effective for fiscal years beginning after December 15, 2015.

Statements 73 through 77 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

CITY OF GUSTAVUS

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Taxes	$ 302,500	407,948	105,448
Charges for services	18,835	26,929	8,094
Interest and investment revenue	100	22,432	22,332
Other	410,045	47,263	(362,782)
Intergovernmental:			
State of Alaska	121,382	121,073	(309)
Federal sources	154,506	171,781	17,275
Total revenues	1,007,368	797,426	(209,942)
Expenditures:			
Current:			
General government	693,574	304,072	389,502
Public safety	88,174	80,954	7,220
Public works	122,941	118,093	4,848
Community services	102,679	107,968	(5,289)
Total expenditures	1,007,368	611,087	396,281
Excess of revenues over expenditures	-	186,339	186,339
Other financing sources (uses) - transfer out	-	(1,560)	(1,560)
Net change in fund balances	$ -	184,779	184,779
Fund balance, beginning of year		3,759,267	
Fund balance, end of year		$ 3,944,046	

CITY OF GUSTAVUS

City Recycling Project Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Original and Final Budget and Actual

Year Ended June 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues :			
Local sources:			
Charges for services:			
Community chest sales	$ -	12,819	12,819
Landfill	105,385	61,895	(43,490)
Other	1,000	428	(572)
Total revenues	106,385	75,142	(31,243)
Expenditures:			
Current:			
Public works:	106,385	131,063	(24,678)
Excess (deficiency) of revenues over expenditures	$ -	(55,921)	(55,921)
Fund balance (deficit), beginning of year		(75,584)	
Fund balance (deficit), end of year		$ (131,505)	

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF GUSTAVUS

General Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Taxes:			
Sales tax	$ 302,500	407,948	105,448
Charges for services:			
Facilities usage fees	16,835	18,806	1,971
Library fees	2,000	4,148	2,148
Business license fees	-	3,975	3,975
Total charges for services	18,835	26,929	8,094
Interest and investment revenue	100	22,432	22,332
Other:			
Fundraising	6,500	4,159	(2,341)
Gravel sales	15,500	9,595	(5,905)
City subsidy	251,445	-	(251,445)
Leases	13,441	13,332	(109)
Donations	700	1,879	1,179
Other income	112,459	18,298	(94,161)
Property contribution	10,000	-	(10,000)
Total other	410,045	47,263	(362,782)
Total local sources	731,480	504,572	(226,908)
Intergovernmental:			
State of Alaska:			
Fisheries business tax	1,773	985	(788)
Revenue sharing	119,609	120,088	479
Total State of Alaska	121,382	121,073	(309)
Federal sources passed through the State of Alaska:			
National forest receipts	79,506	76,372	(3,134)
Payment in lieu of taxes	75,000	95,409	20,409
Total federal sources passed through	154,506	171,781	17,275
Total revenues	$ 1,007,368	797,426	(209,942)

(continued)

CITY OF GUSTAVUS

General Fund

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

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures:			
General government:			
Salaries and employee benefits	$ 186,761	128,400	58,361
Professional and technical services	72,000	17,465	54,535
Administrative costs	22,386	46,046	(23,660)
Travel and training	15,131	9,857	5,274
Supplies and equipment	45,421	13,419	32,002
Postage and freight	18,675	1,486	17,189
Maintenance and repairs	11,973	4,848	7,125
City subsidy	251,445	20,000	231,445
Utilities	3,488	1,470	2,018
Telephone	19,354	5,801	13,553
Contractual	12,326	19,192	(6,866)
Advertising	2,000	100	1,900
Other	32,614	35,988	(3,374)
Total general government	693,574	304,072	389,502
Public Safety:			
Salaries and employee benefits	29,912	20,565	9,347
Professional and technical services	500	168	332
Travel and training	10,918	7,113	3,805
Supplies and equipment	11,631	30,558	(18,927)
Postage and freight	200	324	(124)
Maintenance and repairs	6,869	1,241	5,628
Utilities	7,978	3,362	4,616
Telephone	12,017	3,602	8,415
Contractual	7,649	12,000	(4,351)
Other	500	2,021	(1,521)
Total public safety	88,174	80,954	7,220
Public works:			
Professional and technical services	20,000	-	20,000
Supplies and equipment	5,900	3,183	2,717
Contractual	74,636	111,970	(37,334)
Maintenance and repairs	17,405	1,000	16,405
Other	5,000	1,940	3,060
Total public works	122,941	118,093	4,848

(continued)

CITY OF GUSTAVUS

General Fund

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

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures, continued:			
Library services:			
Salaries and employee benefits	$ 58,614	40,450	18,164
Travel and training	-	10	(10)
Supplies and equipment	1,582	17,302	(15,720)
Postage and freight	-	3,766	(3,766)
Maintenance and repairs	-	1,702	(1,702)
Utilities	12,234	5,156	7,078
Telephone	11,313	3,391	7,922
Contractual	1,752	9,719	(7,967)
Other	585	3,534	(2,949)
Total library services	86,080	85,030	1,050
Marine facilities:			
Salaries and employee benefits	10,599	7,287	3,312
Supplies and equipment	-	1,805	(1,805)
Maintenance and repairs	-	193	(193)
Insurance	6,000	1,583	4,417
Other	-	12,070	(12,070)
Total marine facilities	16,599	22,938	(6,339)
Total community services	102,679	107,968	(5,289)
Total expenditures	1,007,368	611,087	396,281
Excess of revenues over expenditures	-	186,339	186,339
Other financial sources (uses) - transfer out	-	(1,560)	(1,560)
Net change in fund balances	$ -	184,779	184,779
Fund balance, beginning of year		3,759,267	
Fund balance, end of year		$ 3,944,046	

CITY OF GUSTAVUS

City Recycling Project Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues :			
Local sources:			
Charges for services:			
Community chest sales	$ -	12,819	12,819
Landfill	105,385	61,895	(43,490)
Other	1,000	428	(572)
Total revenues	106,385	75,142	(31,243)
Expenditures:			
Current:			
Public works:			
Salaries and employee benefits	72,850	72,240	610
Professional and technical services	-	3,780	(3,780)
Travel and training	1,000	2,171	(1,171)
Supplies and equipment	7,000	6,681	319
Postage and freight	13,850	13,675	175
Maintenance and repairs	300	93	207
Utilities	3,000	2,247	753
Telephone	1,640	1,410	230
Contractual	3,000	23,153	(20,153)
Advertising	500	500	-
Other	3,245	5,113	(1,868)
Total expenditures	106,385	131,063	(24,678)
Excess (deficiency) of revenues over expenditures	$ -	(55,921)	(55,921)
Fund balance (deficit), beginning of year		(75,584)	
Fund balance (deficit), end of year		$ (131,505)	

CITY OF GUSTAVUS

Fish Passage Improvement Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:		
Intergovernmental:		
Federal sources	$	71,630
Expenditures:		
Capital outlay - contractual services		71,630
Excess of revenues over expenditures		-
Fund Balance, beginning of year		-
Fund Balance, end of year	$	-

Exhibit G-1

CITY OF GUSTAVUS

Other Governmental Funds

Combining Balance Sheet

June 30, 2015

	Special Revenue Funds					Capital Project Funds					
Assets	Gustavus Community Network	CED Library	Alaska Public Library Assistance	Reading with Rachell	Total Special Revenue Funds	Land Committee	Broadband Network	Mt. View Drainage	Drainage Fish Passage Design	Total Capital Project Funds	Total Other Governmental Funds
Cash and cash equivalents	$ 3,866	-	-	-	3,866	-	-	-	-	-	3,866
Receivables:											
Federal	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	51	382	84	517	10,704	87	3,037	255	14,083	14,600
Total Assets	$ 3,866	51	382	84	4,383	10,704	87	3,037	255	14,083	18,466
Liabilities and Fund Balances (Deficit)											
Due to other funds	19,067	-	-	-	19,067	-	-	-	-	-	19,067
Unearned revenue	-	-	382	-	382	-	87	3,037	255	3,379	3,761
Total liabilities	19,067	-	382	-	19,449	-	87	3,037	255	3,379	22,828
Fund balances (deficit):											
Restricted	-	-	-	84	84	-	-	-	-	-	84
Committed	-	51	-	-	51	10,704	-	-	-	10,704	10,755
Unassigned	(15,201)	-	-	-	(15,201)	-	-	-	-	-	(15,201)
Total fund balance (deficit)	(15,201)	51	-	84	(15,066)	10,704	-	-	-	10,704	(4,362)
Total liabilities and fund balances (deficit)	$ 3,866	51	382	84	4,383	10,704	87	3,037	255	14,083	18,466

CITY OF GUSTAVUS

Other Governmental Funds

Combining Statements of Revenues, Expenditures and
Changes in Fund Balances (Deficit)

Year Ended June 30, 2015

	Special Revenue Funds							
	Volunteer Fire Assistance	Alaska Safe Routes to School	Gustavus Community Network	CED Library	Alaska Public Library Assistance	Reading with Rachell	SEREMS FY14	Total Special Revenue Fund
Revenues:								
Local sources								
Charges for services	$ -	-	47,007	-	-	-	-	47,007
Other	-	-	-	-	-	600	1,100	1,700
Intergovernmental:								-
State of Alaska	-	-	-	-	6,268	-	-	6,268
Federal sources	6,155	6,472	-	1,399	-	-	-	14,026
Total revenues	6,155	6,472	47,007	1,399	6,268	600	1,100	69,001
Expenditures:								
Current:								
Public safety	6,155	-	-	-	-	-	1,100	7,255
Community services	-	6,472	39,598	1,399	6,268	516	-	54,253
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	6,155	6,472	39,598	1,399	6,268	516	1,100	61,508
Excess (deficiency) of revenues over (under) expenditures	-	-	7,409	-	-	84	-	7,493
Other financing sources - transfer in	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-
Fund balances (deficit), beginning of year	-	-	(22,610)	51	-	-	-	(22,559)
Fund balances (deficit), end of year	$ -	-	(15,201)	51	-	84	-	(15,066)

(continued)

CITY OF GUSTAVUS

Other Governmental Funds

Combining Statements of Revenues, Expenditures and
Changes in Fund Balances (Deficit), Continued

	Capital Project Funds												
	Trout Unlimited	Lands Committee	EMS 911 Upgrades	Broadband Network	Recycling Center Renovation	Good River Culvert Replacement FY13	Good River Culvert Replacement FY15	Public Restrooms Renovation	Mt. View Drainage	Drainage Fish Passage Design	City Hall Remodel	Total Capital Projects Fund	Total Other Governmental Funds
Revenues:													
Local sources													
Charges for services	$ -	8,710	-	-	-	-	-	-	-	-	-	8,710	55,717
Other	-	-	-	-	-	-	-	-	-	-	-	-	1,700
Intergovernmental:													
State of Alaska	-	-	54,237	19,458	5,921	118,000	30,862	31,192	-	-	16,934	276,604	282,872
Federal sources	40,000	-	-	-	-	-	-	-	116,962	208	-	157,170	171,196
Total revenues	40,000	8,710	54,237	19,458	5,921	118,000	30,862	31,192	116,962	208	16,934	442,484	511,485
Expenditures:													
Current:													
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	7,255
Community services	-	-	-	-	-	-	-	-	-	-	-	-	54,253
Capital outlay	40,000	150	54,237	19,458	5,921	118,000	30,862	31,192	116,962	1,768	16,934	435,484	435,484
Total expenditures	40,000	150	54,237	19,458	5,921	118,000	30,862	31,192	116,962	1,768	16,934	435,484	496,992
Excess (deficiency) of revenues over (under) expenditures	-	8,560	-	-	-	-	-	-	-	(1,560)	-	7,000	14,493
Other financing sources - transfer in	-	-	-	-	-	-	-	-	-	1,560	-	1,560	1,560
Net change in fund balances	-	8,560	-	-	-	-	-	-	-	-	-	8,560	16,053
Fund balances (deficit), beginning of year	-	2,144	-	-	-	-	-	-	-	-	-	2,144	(20,415)
Fund balances (deficit), end of year	$ -	10,704	-	-	-	-	-	-	-	-	-	10,704	(4,362)

CITY OF GUSTAVUS

Volunteer Fire Assistance Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues - Intergovernmental -			
Federal sources passed through the State of Alaska	$ 9,600	6,155	(3,445)
Expenditures:			
Current:			
Public safety - materials and supplies	9,600	6,155	3,445
Excess of revenues over expenditures	$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		$ -	

CITY OF GUSTAVUS

Alaska Safe Routes to School Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues - Intergovernmental -			
Federal sources passed through the			
State of Alaska	$ 15,000	6,472	(8,528)
Expenditures:			
Current:			
Community services:			
Contractual services	7,000	1,472	5,528
Travel and per diem	1,000	-	1,000
Professional services	7,000	5,000	2,000
Total expenditures	15,000	6,472	8,528
Excess of revenues over expenditures	$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		$ -	

Exhibit G-5

CITY OF GUSTAVUS

Gustavus Community Network Special Revenue Fund

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

Year Ended June 30, 2015

		Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:				
Local sources:				
Charges for services-				
Subscriber fees	$	24,936	47,007	22,071
Other- grants		-	-	-
		24,936	47,007	22,071
Expenditures:				
Current:				
Community services:				
Contractual services		5,483	7,877	(2,394)
Supplies and equipment		17,145	29,263	(12,118)
Bank fees		2,308	2,458	(150)
Total expenditures		24,936	39,598	(14,662)
Excess of revenues over expenditures	$	-	7,409	7,409
Fund balance (deficit), beginning of year			(22,610)	
Fund balance (deficit), end of year			$ (15,201)	

CITY OF GUSTAVUS

CED Library Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues - Intergovernmental -			
Federal sources passed through the State of Alaska	$ 2,000	1,399	(601)
Expenditures:			
Current:			
Community services - travel and per diem	2,000	1,399	601
Excess of revenues over expenditures	$ -	-	-
Fund balance, beginning of year		51	
Fund balance, end of year		$ 51	

CITY OF GUSTAVUS

Alaska Public Library Assistance Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental-			
State of Alaska	$ 6,650	6,268	(382)
Expenditures:			
Current:			
Community services:			
Materials and supplies	6,650	6,268	382
Excess of revenues over expenditures	$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		$ -	

CITY OF GUSTAVUS

Reading with Rachell Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues - local sources- other	$ 600	600	-
Expenditures:			
Current:			
Community services - materials and supplies	600	516	84
Excess of revenues over expenditures	$ -	84	84
Fund balance, beginning of year		-	
Fund balance, end of year		$ 84	

CITY OF GUSTAVUS

SEREMS FY14 Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues - local sources- other	$ 1,100	1,100	-
Expenditures:			
Current:			
Public safety - travel and perdiem	1,100	1,100	-
Excess of revenues over expenditures	$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		$ -	

CITY OF GUSTAVUS

NOAA Trout Unlimited Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues - Intergovernmental -	
Federal sources passed through	
Trout Unlimited	$ 40,000
Expenditures:	
Capital outlay:	
Contractual services	40,000
Excess of revenues over expenditures	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

CITY OF GUSTAVUS

Lands Committee Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues - local sources- charges for services	$ 8,710
Expenditures:	
Capital outlay - contractual services	150
Excess of revenues over expenditures	8,560
Fund balance, beginning of year	2,144
Fund balance, end of year	$ 10,704

CITY OF GUSTAVUS

EMS 911 Upgrades Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:	
Intergovernmental-	
State of Alaska	$ 54,237
Expenditures:	
Capital outlay - contractual services	54,237
Excess of revenues over expenditures	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

CITY OF GUSTAVUS

Broadband Network Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:	
Intergovernmental-	
State of Alaska	$ 19,458
Expenditures:	
Capital outlay:	
Contractual services	2,973
Professional services	16,485
Total expenditures	19,458
Excess of revenues over expenditures	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

CITY OF GUSTAVUS

Recycling Center Renovation Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:		
Intergovernmental-		
State of Alaska	$	5,921
Expenditures:		
Capital outlay:		
Maintenance and repairs		1,570
Contractual services		4,351
Total expenditures		5,921
Excess of revenues over expenditures		-
Fund balance, beginning of year		-
Fund balance, end of year	$	-

CITY OF GUSTAVUS

Good River Culvert Replacement FY13 Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:	
Intergovernmental-	
State of Alaska	$ 118,000
Expenditures:	
Capital outlay - contractual services	118,000
Excess of revenues over expenditures	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

CITY OF GUSTAVUS

Good River Culvert Replacement FY15 Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:		
Intergovernmental -		
State of Alaska	$	30,862
Expenditures:		
Capital outlay:		
Contractual services		30,850
Other		12
Total expenditures		30,862
Excess of revenues over expenditures		-
Fund balance, beginning of year		-
Fund balance, end of year	$	-

CITY OF GUSTAVUS

Public Restrooms Renovation Capital Project Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance

Year Ended June 30, 2015

Revenues:		
Intergovernmental-		
State of Alaska	$	31,192
Expenditures:		
Capital outlay:		
Contractual services		31,192
Excess of revenues over expenditures		-
Fund balance, beginning of year		-
Fund balance, end of year	$	-

CITY OF GUSTAVUS

Mt. View Drainage Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues - Intergovernmental -	
Federal sources passed through the	
State of Alaska	$ 116,962
Expenditures:	
Capital outlay:	
Contractual services	110,121
Professional services	6,841
Total expenditures	116,962
Excess of revenues over expenditures	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

Exhibit G-19

CITY OF GUSTAVUS

Drainage Fish Passage Design Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:	
Intergovernmental-	
Federal sources	$ 208
Expenditures:	
Capital outlays - professional services	1,768
Excess (deficiency) of revenues over (under) expenditures	(1,560)
Other financing sources - transfer in	1,560
Net change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

CITY OF GUSTAVUS

City Hall Remodel Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

Revenues:		
Intergovernmental-		
State of Alaska	$	16,934
Expenditures:		
Capital outlay:		
Supplies		183
Contractual services		6,534
Professional services		10,217
Total expenditures		16,934
Excess of revenues over expenditures		-
Fund Balance, beginning of year		-
Fund Balance, end of year	$	-

COMPLIANCE REPORT

Altman, Rogers & Co. | CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Honorable Mayor and City Council
City of Gustavus
Gustavus, 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 the City of Gustavus as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Gustavus basic financial statements and have issued our report thereon dated March 21, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding 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, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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 as Findings 2015-001 and 2015-002 to be material weaknesses.

425 G Street Suite 800 Anchorage, Alaska 99501 Phone 907-274-2992 Fax 907-274-2993
Offices in Juneau and Soldotna A Professional Corporation

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.

Compliance and Other Matters

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

City of Gustavus Response to Findings

City of Gustavus' responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. The City of Gustavus' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Altman, Rogers & Co.

Anchorage, Alaska
March 21, 2016

CITY OF GUSTAVUS

Schedule of Findings

Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodifed		
Is a going concern emphasis-of-matter paragraph included in the audit report?	_____	yes x	no
Internal control over financial reporting:			
Material weakness(es) identified?	x	yes _____	no
Significant deficiency(ies) identified?	_____	yes x	none reported.
Noncompliance material to financial statements noted?	_____	yes x	no

Section II – Financial Statement Findings

Finding 2015-001 **Internal Control over Year End Closing**

Material Weakness

Condition: During our substantive audit procedures over grant reconciliations, we noted instances where grant reconciliation were not properly completed, therefore grant accounts receivable and revenue were misstated. We also identified a material accounts payable that was not properly accrued in the current fiscal year.

Criteria: Policies and procedures should be in place to ensure grant revenue and receivable are properly reconciled and adjusted in the general ledger. There needs to be internal controls in place to ensure activity near year end is properly recorded in the correct fiscal year.

Context: There were seven funds that had adjustments to properly reflect the current year activity of the project or fund. The total amount of these adjustments were $161,195. There was also an accounts payable of $71,630 that was recorded in the wrong fiscal year.

Cause: Lack of internal control over year end closing procedures.

Effect: Ending grant receivables and revenues were not properly recorded in the general ledger. Accounts payable and current year expenditures were materially misstated.

Recommendation: We recommend that annual grant reconciliation are prepared and reviewed for accuracy. Yearend closing procedures should be implemented.

Management's Response: Management concurs with the finding. See Corrective Action Plan.

Finding 2015-002 **Internal Control over Budget Entries**

Material Weakness

Condition: During the review of the general ledger it was determined that budget entries were posted to the general ledger.

Criteria: Internal control procedures should be in place to ensure that only actual expenditures and revenues are posted to the general ledger

Cause: Internal control was not properly implemented and followed for budget entries.

Context: During audit procedures performed over the general ledger there were six budget entries posted to the general ledger that materially misstated the revenues and expenditures of the individual funds.

Effect: Revenues and expenditures in the general ledger were misstated by $236,253

Recommendation: The City should implement internal controls for budget entries to ensure amounts are not being recorded directly to the general ledger.

Management's Response: Management concurs with the finding. See Corrective Action Plan.

Section III- Summary of Prior Year Findings

Finding 2014-001 **Internal Control over Payroll**

Significant Deficiency

Condition: The payroll department of the City lacks adequate internal controls necessary to ensure accurate financial reporting.

Status: This finding has been resolved in 2015.

CITY OF GUSTAVUS

Corrective Action Plan

Year Ended June 30, 2015

Financial Statement Findings

Finding 2015-001 **Internal Control over Year End Closing**

Name of Contact Person: Lori Ewing

Corrective Action Plan: The City will implement procedures to train the City Clerk/Treasurer in year end closing procedures and will reconcile general ledger balances at year end or will contract with a CPA to assist in the reconciliation process before the audit.

Proposed Completion Date: July 2016.

Finding 2015-002 **Internal Control over Budget Entries**

Name of Contact Person: Lori Ewing

Corrective Action Plan: The City will establish procedures to ensure that budget entries are properly recorded through the budgeting module and not through general journal entries.

Proposed Completion Date: July 2016.