

CITY OF KACHEMAK
KACHEMAK, ALASKA

RESOLUTION 2016-01

A RESOLUTION OF THE CITY OF KACHEMAK, ALASKA CERTIFYING THE ANNUAL CERTIFIED FINANCIAL STATEMENT OF REVENUES AND AUTHORIZED EXPENDITURES FOR THE YEAR ENDING JUNE 30, 2015.

WHEREAS, The City of Kachemak is a recognized second class city; and

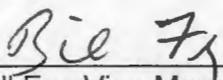
WHEREAS, second class cities are required by AS 29.20.640(a)(2) to submit a Certified Financial Statement of income and expenditures or audit for the year ending June 30, 2015, to the Department of Community and Economic Development;

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KACHEMAK, ALASKA:

That the attached REVIEWED FINANCIAL STATEMENT of the City of Kachemak, Alaska for the year ending June 30, 2015, and prepared by Foster & Co., is true and complete to the best of our knowledge.

ADOPTED by duly constituted quorum of the City Council of the City of Kachemak, Alaska, this 10th day of January 2016.

CITY OF KACHEMAK



Bill Fry, Vice-Mayor

ATTEST:



Helyn I. Schoepke, City Clerk

Attached Reviewed Financial Statement

CITY OF KACHEMAK, ALASKA
REVIEWED FINANCIAL STATEMENTS
JUNE 30, 2015

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Honorable Mayor and
Members of the City Council
City of Kachemak, Alaska

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Kachemak, Alaska, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management does not present the management's discussion and analysis. Accounting principles generally accepted in the United States of America require that Schedules on page 17 through page 18 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. The information is the representation of management. We have not audited or reviewed such required supplementary information, and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Foster and Company, LLC

Foster and Company, LLC
Wasilla, Alaska

October 28, 2015

PO Box 872194
Wasilla, Alaska 99687
(907) 376-6901 Fax (907) 376-0514

3733 Ben Walters Lane, Ste. 6
Homer, Alaska 99603
(907) 235-6969

**CITY OF KACHEMAK
STATEMENT OF NET ASSETS
JUNE 30, 2015**

	<u>PRIMARY GOVERNMENT</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Investments	\$ 362,799	\$ 11,467	\$ 374,266
Receivables, Net			
Sewer Accounts Receivable, (Net of \$10,000 Allowance for Doubtful Accounts)	-	31,804	31,804
Repair and Replacement Investment (See Note 5)	87,212	-	87,212
Assessment Receivable	-	10,224	10,224
TOTAL CURRENT ASSETS	<u>450,011</u>	<u>53,495</u>	<u>503,506</u>
NON-CURRENT ASSETS			
Long-Term Assessments Receivable	518,240	-	518,240
Capital Assets:			
Land	135,505	-	135,505
Depreciable Buildings and Equipment, Net	40,278	-	40,278
Total Capital Assets	175,783	-	175,783
TOTAL NON-CURRENT ASSETS	<u>694,023</u>	<u>-</u>	<u>694,023</u>
TOTAL ASSETS	<u>1,144,034</u>	<u>53,495</u>	<u>1,197,529</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable	4,986	1,712	6,698
Accrued Payroll and Related Expenses	926	-	926
Deposits and Prepaid Fees	350	-	350
TOTAL CURRENT LIABILITIES	<u>6,262</u>	<u>1,712</u>	<u>7,974</u>
NON-CURRENT LIABILITIES			
Unfunded PERS	32,225	-	32,225
TOTAL LIABILITIES	<u>38,487</u>	<u>1,712</u>	<u>40,199</u>
<u>NET ASSETS</u>			
Invested in Capital Assets	175,783	-	175,783
Restricted for:			
Building Reserve	75,000	-	75,000
Fire Truck Reserve	279,949	-	279,949
Road Reserve	116,224	-	116,224
Unrestricted	458,591	51,783	510,374
TOTAL NET ASSETS	<u>1,105,547</u>	<u>51,783</u>	<u>1,157,330</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,144,034</u>	<u>\$ 53,495</u>	<u>\$ 1,197,529</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

CITY OF KACHEMAK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	PROGRAM REVENUES			Net Revenue (Expense) & Changes in Net Assets
		Charges for Services	Capital Grants & Contributions	Total	
Primary Government:					
Governmental Activities					
General Government	\$ 184,107	\$ -	\$ -	\$ -	\$ (184,107)
Natural Gas Installation	9,200	-	-	-	(9,200)
Public Safety	71,411	-	-	-	(71,411)
Parks and Recreation	4,148	-	-	-	(4,148)
Total Governmental Activities	<u>268,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(268,866)</u>
Business-Type Activities					
Sewer Service	156,801	139,039	-	139,039	(17,762)
Total Business-Type Activities	<u>156,801</u>	<u>139,039</u>	<u>-</u>	<u>139,039</u>	<u>(17,762)</u>
Total Primary Government	<u>\$ 425,667</u>	<u>\$ 139,039</u>	<u>\$ -</u>	<u>\$ 139,039</u>	<u>\$ (286,628)</u>
Primary Government					
		Governmental Activities	Business Type Activities	Total	
Change in Net Assets:					
Net Revenue (Expense)		\$ (268,866)	\$ (17,762)	\$ (286,628)	
General Revenues:					
Natural Gas Assessments		45,922	-	45,922	
Property Taxes		68,957	-	68,957	
Grants		132,360	-	132,360	
Sewer Administrative Fees		24	-	24	
Investment Income (Loss)		(3,464)	-	(3,464)	
Rental Fees		3,333	-	3,333	
Miscellaneous Income		4,571	-	4,571	
Transfers		56,310	(56,310)	-	
Total General Revenues and Transfers		<u>308,013</u>	<u>(56,310)</u>	<u>251,703</u>	
Change in Net Assets		<u>39,147</u>	<u>(74,072)</u>	<u>(34,925)</u>	
Net Assets - Beginning of the Year, as previously stated		1,092,444	140,049	1,232,493	
Prior-Period Adjustment, see Note 10		<u>(26,044)</u>	<u>(14,194)</u>	<u>(40,238)</u>	
Net Assets - Beginning of the Year, restated		1,066,400	125,855	1,192,255	
Net Assets - End of the Year		<u>\$ 1,105,547</u>	<u>\$ 51,783</u>	<u>\$ 1,157,330</u>	

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**CITY OF KACHEMAK
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2015**

ASSETS

Cash and Investments	\$	362,799
Gas Line Assessments Receivable		518,240
Repair and Replacement Investment (See Note 5)		87,212

TOTAL ASSETS		<u>968,251</u>
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LIABILITIES

Accounts Payable		4,986
Accrued Payroll and Related Expenses		926
Deposits and Prepaid Fees		350
Unfunded PERS		32,225

TOTAL LIABILITIES		<u>38,487</u>
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FUND BALANCES

Restricted for:		
Building Reserve		75,000
Fire Truck Reserve		279,949
Road Reserve		116,224
Undesignated		458,591

TOTAL FUND BALANCES		<u>929,764</u>
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TOTAL LIABILITIES AND FUND BALANCES	\$	<u>968,251</u>
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Total Fund Balances - Government Funds	\$	929,764
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Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet		175,783
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Net Assets of Governmental Activities	\$	<u>1,105,547</u>
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SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**CITY OF KACHEMAK
STATEMENT OF REVENUES, EXPENDITURES CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2015**

REVENUES

Property Taxes	\$	68,957
Grants		132,360
Sewer Administrative Fees		24
Natural Gas Assessments		45,922
Rental Fees		3,333
Investment Income (Loss)		(3,464)
Miscellaneous Income		4,571
TOTAL REVENUES		251,703

EXPENDITURES

General Government		177,111
Natural Gas Installation		9,200
Public Safety		71,411
Parks and Recreation		4,148
TOTAL EXPENDITURES		261,870

Excess (Deficiency) of Revenue Over Expenditures (10,167)

OTHER INVESTING SOURCES (USES)

Transfers (Out) / In		56,310
Net Changes in Fund Balance		46,143

Fund Balance - Beginning of the Year, as previously stated 909,665

Prior-Period Adjustment, see Note 10 (26,044)

Fund Balance - Beginning of the Year, restated 883,621

Fund Balance - End of the Year \$ 929,764

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES & CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES & CHANGES IN NET ASSETS**

Net Change in Fund Balance - Total Governmental Funds \$ 46,143

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Depreciation on capital assets is reported in the Government-Wide Statement of Activities
and Changes in Net Assets but do not require the use of current financial resources.

Therefore, it is not reported as expenditures in Governmental Funds. (6,996)

Change in Net Assets of Governmental Activities \$ 39,147

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**CITY OF KACHEMAK
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2015**

ASSETS

CURRENT ASSETS

Cash and Investments	\$	11,467
Receivables, Net		
Sewer Accounts Receivable, (Net of \$10,000 Allowance for Doubtful Accounts)		31,804
Sewer Assessments		10,224

TOTAL ASSETS 53,495

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		1,712
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TOTAL LIABILITIES 1,712

NET ASSETS

Unrestricted		51,783
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TOTAL NET ASSETS 51,783

TOTAL LIABILITIES AND FUND BALANCES \$ 53,495

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**CITY OF KACHEMAK
STATEMENT OF REVENUES, EXPENSES
CHANGE IN FUND NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES:	
Sewer Assessment Interest	\$ 1,282
Sewer Use Charges	<u>137,757</u>
TOTAL OPERATING REVENUES	<u>139,039</u>
OPERATING EXPENSES	
Utilities	149,733
Legal Fees	315
Other	<u>6,753</u>
TOTAL OPERATING EXPENSES	<u>156,801</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(17,762)
Transfers In / (Out)	<u>(56,310)</u>
CHANGE IN NET ASSETS	<u>(74,072)</u>
Net Assets - Beginning of the Year, as previously stated	140,049
Prior-period Adjustment, see Note 10	<u>(14,194)</u>
Net Assets - Beginning of the Year, restated	125,855
Net Assets - End of the Year	<u>\$ 51,783</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**CITY OF KACHEMAK
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$	137,016
Cash Payments to Suppliers of Goods & Services		<u>(156,608)</u>
 NET CASH USED BY OPERATING ACTIVITIES		 <u>(19,592)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Income		<u>2,982</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES		 <u>2,982</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:

Proceeds from Assessments Receivable		
Increase from Governmental Funds		<u>(56,310)</u>
 NET CASH USED BY FINANCING ACTIVITIES		 <u>(56,310)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (72,920)

BEGINNING CASH AND CASH EQUIVALENTS 84,387

ENDING CASH AND CASH EQUIVALENTS \$ 11,467

**Reconciliation of Operating Income to
Net Cash Used By Operating Activities**

Operating Loss	\$	(17,762)
 Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:		
Changes in Assets & Liabilities:		
Accounts Receivable		(2,023)
Accounts Payable		<u>193</u>
 Net Cash Used By Operating Activities	\$	 <u><u>(19,592)</u></u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The City of Kachemak (the City) was incorporated in 1961 under the general laws of the State of Alaska. In 1973, the City was reclassified as a second-class city under the laws of the State of Alaska. The City operates under a Mayor-Council form of government and provides the following services: Public Safety (Fire), Parks, Sewer and General Administrative Services.

The accompanying financial statements include the financial activities of the City of Kachemak, the primary government. Financial information for the City is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. These financial statements follow GASB Statement No. 34 except that there is no Management Discussion and Analysis. The more significant of the City's accounting policies are described below.

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. In compliance with Governmental Accounting Standards Board Statement No. 31, the City's investments are stated at fair value. Market value is used for those securities for which market quotations are readily available. The City generally holds all investments until maturity or until market values equal or exceeds cost. Therefore, the fair value of securities in the investment pool does not necessarily reflect realized gains or losses but rather the fair value of those investments as of June 30, 2015.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$1,000. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	40 years
Improvements	15 years
Equipment	7 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. Although these financial statements are not intended to comply with Statement No. 34, the City has included the value of all infrastructures in the 2015 Basic Financial Statements. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include park and recreation lands and improvement system, buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. For all infrastructure systems, the City elected to allocate the cost of those assets (depreciation) over their

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

useful lives, as discussed above. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

H. Property Taxes

Property taxes are levied on the assessed value of taxable property as of January 1. Pursuant to Alaska Statutes, Title 29.45.240, the City establishes the mill rate on or before June 15. The City is located within the Kenai Peninsula Borough which acts as the City's agent in the billing and collecting of property taxes. Taxes are payable in full on or before October 15 and become delinquent thereafter. At the option of the property owner, taxes may be paid in two equal installments. The first one-half of the taxes payable must be paid on or before September 15. The second one-half of the taxes payable then become due on or before November 15. A lien is filed for delinquent taxes in April of the year following when the taxes were due. City property tax revenues are recognized in the fiscal year in which they are collectible and available (collected within sixty days after year-end) to finance expenditures of the fiscal period.

Note 2 - Cash and Investments

The City of Kachemak maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The carrying amounts of the City's cash deposits were \$374,266 at June 30, 2015. The bank balances at June 30, 2015 were \$626,359. The Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) insures funds held in a banking institution to a maximum of \$250,000 in total at June 30, 2015. The City's checking and savings accounts and its certificate of deposit are held at three financial institutions. Amounts in excess of the FDIC or NCUA insurance limits are neither insured nor collateralized throughout the year. The combined uninsured bank balances for these accounts totaled approximately \$201,943 at June 30, 2015. Other funds were collateralized with securities held by the pledging financial institutions in the City's name.

The City's cash and investments are reported as follows:

Governmental Activities	\$ 362,799
Business-Type Activities	<u>11,467</u>
 Total City Cash and Investments	 <u>\$ 374,266</u>

Total carrying value of cash and investments at June 30, 2015 consisted of the following:

Demand Deposits	\$ 345,262
Certificate of Deposits	28,939
Petty Cash	<u>65</u>
 Total City Cash and Investments	 <u>\$ 374,266</u>

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 2 - Cash and Investments, (Continued)

The City selects its investments based on safety, liquidity and yield.

Custodial Credit Risk and Fair Value of Investments:

Investments made by the City are summarized below. In accordance with GASB Statement No. 3, investments that are represented by specific identifiable investment securities are categorized in the following manner:

- Category 1 – Insured or registered securities held by the City or its agent in the City's name;
- Category 2 – Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name;
- Category 3 – Uninsured and unregistered with securities held by the counterparty, or by its trust department, or agent but not in the City's name.

<u>Deposits:</u>	<u>Category 1</u>	<u>Fair Value</u>
Demand Deposits	\$ <u>345,327</u>	\$ <u>345,327</u>
Certificates of Deposit	\$ <u>28,939</u>	\$ <u>28,939</u>

The City has no category 2 or category 3 deposits or investments.

Note 3 - Long-Term Assessments Receivable

Long-Term Assessments Receivable for the sewer assessments represents future assessments to be received for the payment of debt to the State of Alaska, Department of Environmental Conservation, Clean Water Fund for the City's sewage system.

Long-Term Assessments Receivable for the gas line assessments represents future assessments to be received for the payment of debt a limited partnership and to reimburse the City for the construction of a natural gas line.

Sewer Assessments Receivable	\$ 10,224
Gas Line Assessments Receivable	\$ 518,239

Note 4 - Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. All capital assets of the City including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on infrastructure assets.

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 4 - Capital Assets, (Continued)

Description	Historical Cost	Accumulated Depreciation	Net Value
Governmental Activities:			
Land	\$ 135,505	\$ -	\$ 135,505
Building	199,600	(164,802)	34,798
Equipment	461,192	(460,113)	1,079
Improvements	110,063	(105,662)	4,401
Total Governmental Activities:	\$ 906,360	\$ (730,577)	\$ 175,783

For the year ended June 30, 2015, depreciation expense on capital assets was charged to the general government in the amount of \$6,996.

Capital Assets of the City for the year ended June 30, 2015, consisted of the following:

	Balance July 1, 2014	Acquisitions	Sales and Retirements	Balance June 30, 2015
Land	\$ 135,505			\$ 135,505
Building	199,600	-	-	199,600
Equipment	461,192	-	-	461,192
Improvements	110,063	-	-	110,063
Total	906,360	-	-	906,360
Accumulated Depreciation	(723,581)	(6,996)	-	(730,577)
Total Capital Assets	\$ 182,779	(6,996)	-	\$ 175,783

Note 5 - Classification of Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 5 - Classification of Net Assets, (Continued)

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2015, reservations of fund balance are described below:

Building Reserve - These reserves were established for future repairs or replacement of the City's building facility.

Fire Truck Reserve - These reserves were established for future replacement of the City's fire truck.

City Wide Road Reserve - These reserves were established for future repairs and maintenance of the City's roads.

During fiscal year 2013, the City placed \$100,000 into an investment with the Homer Foundation towards the purchase of a new fire truck.

Note 6 - Defined Benefit Pension Plan

A. Plan Description

The City participates in the State of Alaska Public Employees' Retirement System (PERS), an agent multiple-employer plan that acts as a common investment and administrative agent for state, political subdivision and public organizations in the state of Alaska. Copies of PERS' annual financial report may be obtained by contacting the State of Alaska, Division of Retirement and Benefits.

The City's payroll for employees covered by the System for the year ended June 30, 2015 was \$25,036 which represents 100% of covered payroll. All City employees that work more than 15 hours per week are eligible to participate in PERS. Benefits vest after five years of service. The normal and early retirement ages are 60 and 55, respectively. The normal annual pension benefit is equal to 2% of the member's average monthly compensation for the first ten years of service, 2.25% for the second ten years of service, and 2.5% for the third ten years of service. Employees with thirty or more years of credited service may retire at any age and receive a normal benefit. Minimum benefits for all employees eligible for retirement are \$25 per month for each year of credited service. PERS also provides death and disability benefits. Participants may also elect major medical benefits. These benefit provisions and all other requirements have been established by State of Alaska statutes.

B. Contribution Requirements and Contributions Made

The City's contribution to PERS for fiscal year 2015 was \$5,492. The contributions were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2015. The City's contribution represented 22% of covered payroll. Employees contribute 6.75% of their salary and wages. Employee's contributions for fiscal year 2015 were \$1,685.

C. Mayoral Benefits

By ordinance, the mayor does not receive medical or pension benefits.

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 6 - Defined Benefit Pension Plan, (Continued)

D. Trend Information

Three years of trend information regarding annual pension costs including costs paid on behalf of the employees is summarized as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$4,824	100%	Not available
6/30/14	\$5,421	100%	\$32,710
6/30/15	\$5,492	100%	\$32,225

Per GASB 67 and 68, the City reports their unfunded portion of the State of Alaska's Public Employees' Retirement System as a liability in these financial statements.

Note 7 - Commitments and Contingencies

The City receives grants that are subject to audit and adjustment by the grantor agencies. Any expenditure disallowed as a result of such an audit and for which grant monies had been expended would become a liability of the City. At June 30, 2015, no such audit was pending and management does not anticipate any such liability arising that would have a material effect on the financial condition of the City.

Note 8 – Natural Gas Installation

In May of 2013, Kachemak City contracted with Enstar Natural Gas to construct, own and maintain a natural gas distribution system in the City of Kachemak. City funds were made available to help pay the capital costs during construction and then provide longer term funds for those residents who wished to finance their assessments when they become due in the spring of 2014.

During FY14, assessments covering the costs of the system were equally divided among the 386 lots who benefited from the improvement. Residents had the option of paying the assessment in cash or financing the amount over 10 years at 5% interest. Assessments totaling \$671,542 were paid by residents during FY14. A receivable of \$518,240 for the remaining assessments was recorded in the accounting system at June 30, 2015.

Note 9 – Subsequent Events

Management has evaluated events occurring after June 30, 2015, through October 28, 2015, the date the financial statements were available to be issued, for events that should be disclosed to prevent the financial statements from being materially misleading. Management noted no subsequent events that meet these criteria.

CITY OF KACHEMAK
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 10 – Prior-Period Adjustments

During FY15, the city recorded prior-period adjustments related to the following transactions:

Sewer assessments receivable were reduced by \$14,194 to reflect their collectability at June 30, 2014, which had the effect of reducing the net assets of the Proprietary Fund for FY14.

The Repair and Replacement Investment fund was increased by \$6,666 to reflect the funds market value at June 30, 2014, which had the effect of increasing the net assets of the Governmental Fund for FY14.

Governmental Accounting Standards Board (GASB) Statements 67 and 68, mandate that governmental balance sheets reflect unfunded pension liabilities. A correcting entry was made to increase the City's liabilities by \$32,710 as of June 30, 2014, which had the effect of reducing the net assets of the Governmental Activities Fund for FY14.

STATISTICAL INFORMATION
SUPPLEMENTARY INFORMATION
JUNE 30, 2015

**CITY OF KACHEMAK
GENERAL GOVERNMENTAL REVENUES BY SOURCE - UNAUDITED
LAST TEN YEARS
YEAR ENDED JUNE 30, 2015**

<u>Year Ended</u>	<u>Property Taxes</u>	<u>Intergovernmental Revenues</u>			<u>Investment Income</u>	<u>Gas Line</u>	<u>Other Revenue</u>	<u>Total Revenue</u>
		<u>Shared Revenue</u>	<u>Municipal Assistance</u>	<u>Other</u>				
6/30/2006	8,300	4,389	-	80,032	20,148	-	2,319	115,188
6/30/2007	98,882	4,315	-	128,843	22,855	-	2,088	256,983
6/30/2008	54,765	4,320	-	110,013	19,186	-	2,531	190,815
6/30/2009	66,737	121,268	-	3,861	7,267	-	2,926	202,059
6/30/2010	65,188	119,109	-	-	894	-	6,863	192,054
6/30/2011	65,934	117,565	-	60,365	480	-	2,789	247,133
6/30/2012	66,772	159,287	-	6,664	975	-	12,017	245,715
6/30/2013	64,643	167,520	-	37,423	619	-	2,599	272,804
6/30/2014	67,390	118,349	-	10,246	329	1,273,800	4,168	1,474,282
6/30/2015	68,957	117,151	-	15,209	-	45,922	4,464	251,703

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**CITY OF KACHEMAK
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION - UNAUDITED
LAST TEN YEARS
YEAR ENDED JUNE 30, 2015**

<u>Year Ended</u>	<u>Legislative</u>	<u>Mayor & Council</u>	<u>Elections</u>	<u>Admin.</u>	<u>Occupancy</u>	<u>Natural Gas Installation</u>	<u>Public Safety</u>	<u>Parks</u>	<u>Total Expense</u>
6/30/2005	58,514	-	754	51,720	14,737	-	36,437	1,300	163,462
6/30/2006	8,309	200	1,400	67,585	16,047	-	1,635	-	95,176
6/30/2007	98,885	-	760	43,275	16,396	-	50,383	1,691	211,390
6/30/2008	26,495	-	799	70,094	18,060	-	58,577	1,133	175,158
6/30/2009	46,568	-	1,144	40,867	19,143	-	64,318	4,139	176,179
6/30/2010	24,202	536	951	48,194	11,314	-	34,101	2,657	121,955
6/30/2011	141,262	500	794	48,504	16,204	-	69,218	2,925	279,407
6/30/2012	66,878	63	1,041	46,949	26,149	-	69,411	2,220	212,711
6/30/2013	40,234	11,531	901	67,286	15,958	237,000	67,407	2,220	442,537
6/30/2014	36,202	472	889	49,616	22,010	1,099,854	36,753	3,084	1,248,880
6/30/2015	79,948	346	1,524	63,338	17,155	24,000	71,411	4,148	261,870

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT