

CITY OF NENANA, ALASKA

BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
OTHER SUPPLEMENTARY INFORMATION,  
AND COMPLIANCE REPORT

June 30, 2013

*Altman, Rogers  
& Co.* | CERTIFIED  
PUBLIC  
ACCOUNTANTS

**CITY OF NENANA, ALASKA**

**BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
OTHER SUPPLEMENTARY INFORMATION,  
AND COMPLIANCE REPORT**

**June 30, 2013**

CITY OF NENANA, ALASKA  
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 REQUIRED SUPPLEMENTARY INFORMATION,  
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 AND COMPLIANCE REPORT  
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## **Independent Auditor's Report**

Members of the City Council  
City of Nenana, Alaska  
Nenana, Alaska

Ladies and Gentlemen:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nenana, Alaska, as of and for the year ended June 30, 2013, 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.

Members of the City Council  
City of Nenana, Alaska

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nenana, Alaska, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in footnote 1.F. to the financial statements, in 2013, the City adopted new accounting guidance GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that the City of Nenana, Alaska will continue as a going concern. As described in footnote 4.C. to the financial statements, The City of Nenana, Alaska has suffered recurring losses and the City's ability to continue operations at current levels is dependent on improved profitability, subsidies from the State of Alaska, or forgiveness of debt outstanding. Management's plans in regard to these matters are also described in footnote 4.C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 42-43 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.

Members of the City Council  
City of Nenana, Alaska

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board who considers it to be 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 Nenana, Alaska's basic financial statements. The information listed in the table of contents as Other Supplementary Information, which includes Non-major Governmental Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate 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 combining non-major fund financial statements are 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 4, 2016 on our consideration of the City of Nenana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nenana, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska  
March 4, 2016

**CITY OF NENANA, ALASKA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Nenana City School District
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,794	\$ -	\$ 20,794	\$ 320,864
Investments	-	19,410	19,410	-
Receivables	386,622	14,000	400,622	285,089
Due from other governments	30,242	-	30,242	-
Internal balances	1,302,841	(1,302,841)	-	-
Inventories	-	-	-	72,922
Capital assets, net	12,224,138	7,863,375	20,087,513	100,385
Total assets	<u>13,964,637</u>	<u>6,593,944</u>	<u>20,558,581</u>	<u>779,260</u>
<b>LIABILITIES</b>				
Accounts payable	27,567	352	27,919	239,879
Deposits payable	-	-	-	5,600
Accrued expenditures	38,196	32	38,228	414,387
Due to external parties	-	-	-	11,305
Unearned income	52,756	-	52,756	-
Other current liabilities	91	-	91	-
Long-term liabilities				
Due within one year	-	25,929	25,929	-
Accrued leave	36,140	27,615	63,755	-
Accrued interest	1,200,836	-	1,200,836	-
Due in more than one year	4,425,883	230,260	4,656,143	200,000
Total liabilities	<u>5,781,469</u>	<u>284,188</u>	<u>6,065,657</u>	<u>871,171</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,798,255	7,607,186	15,405,441	64,421
Unrestricted	384,913	(1,297,430)	(912,517)	(156,332)
Total net position	<u>\$ 8,183,168</u>	<u>\$ 6,309,756</u>	<u>\$ 14,492,924</u>	<u>\$ (91,911)</u>

See accompanying notes to basic financial statements

CITY OF NENANA, ALASKA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		Nenana City School District
<b>PRIMARY GOVERNMENT</b>								
Governmental activities								
General government	\$ 486,947	\$ 4,073	\$ 25,365	\$ -	\$ (457,509)	\$ -	\$ (457,509)	\$ -
Public safety	156,557	51,970	-	-	(104,587)	-	(104,587)	-
Public works	317,158	-	-	388,385	71,227	-	71,227	-
Culture and recreation	268,754	79,745	6,500	-	(182,509)	-	(182,509)	-
Education	364,165	-	-	-	(364,165)	-	(364,165)	-
Total governmental activities	1,593,581	135,788	31,865	388,385	(1,037,543)	-	(1,037,543)	-
Business-type activities								
Municipal utilities	459,941	146,919	-	-	-	(313,022)	(313,022)	-
Port authority	672,107	91,360	-	-	-	(580,747)	(580,747)	-
Total business-type activities	1,132,048	238,279	-	-	-	(893,769)	(893,769)	-
Total primary government	2,725,629	374,067	31,865	388,385	(1,037,543)	(893,769)	(1,931,312)	-
Component Unit - Education	\$ 9,628,816	\$ 77,695	\$ 2,606,274	\$ 35,964	-	-	-	(6,908,883)
<b>GENERAL REVENUES AND TRANSFERS</b>								
Property tax					289,878	-	289,878	-
Sales tax					155,956	-	155,956	-
Payments in lieu of taxes					98,593	-	98,593	-
Other taxes					8,566	-	8,566	-
Grants not restricted to specific programs					-	-	-	6,719,032
Community revenue sharing					164,824	-	164,824	-
State on-behalf funding - PERS					24,928	11,207	36,135	-
Rent/lease income					20,873	-	20,873	-
City appropriations					-	-	-	74,326
E-Rate					-	-	-	85,956
Interest on savings					1	947	948	5
Interest expense					-	(160)	(160)	-
Miscellaneous income					66,532	-	66,532	12,635
Transfers					(35,000)	35,000	-	-
Total general revenues and transfers					795,151	46,994	842,145	6,891,954
Change in net position					(242,392)	(846,775)	(1,089,167)	(16,929)
Net position, beginning of year - as restated					8,425,560	7,156,531	15,582,091	(74,982)
Net position - ending					\$ 8,183,168	\$ 6,309,756	\$ 14,492,924	\$ (91,911)

See accompanying notes to basic financial statements

CITY OF NENANA, ALASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	<u>General Fund</u>	<u>Tolchaket Access</u>	<u>Fuel Depot</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20,794	\$ -	\$ -	\$ -	\$ 20,794
Receivables	386,622	-	-	-	386,622
Due from other governments	-	4,420	-	25,822	30,242
Due from other funds	-	-	-	56,691	56,691
Advances to other funds	1,302,841	-	-	-	1,302,841
Total assets	<u>\$ 1,710,257</u>	<u>\$ 4,420</u>	<u>\$ -</u>	<u>\$ 82,513</u>	<u>\$ 1,797,190</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 27,567	\$ 27,567
Due to other funds	50,081	4,420	-	2,190	56,691
Accrued expenditures	38,196	-	-	-	38,196
Other current liabilities	91	-	-	-	91
Unearned income	-	-	-	52,756	52,756
Total liabilities	<u>88,368</u>	<u>4,420</u>	<u>-</u>	<u>82,513</u>	<u>175,301</u>
Deferred Inflows of Resources:					
Unavailable Property Tax Revenue	<u>349,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,163</u>
Fund balances:					
Unassigned	<u>1,272,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272,726</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,710,257</u>	<u>\$ 4,420</u>	<u>\$ -</u>	<u>\$ 82,513</u>	<u>\$ 1,797,190</u>

See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

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Total governmental fund balances	\$ 1,272,726
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	12,224,138
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources.

Property taxes earned but unavailable	349,163
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Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(36,140)
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All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long term liabilities are not due and payable in the current period are not reported.

Interest payable	(1,200,836)
Bonds payable	(4,425,883)

Net position of governmental activities	\$ <u>8,183,168</u>
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See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

	<u>General</u> <u>Fund</u>	<u>Tolchaket</u> <u>Access</u>	<u>Fuel Depot</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>					
Intergovernmental:					
Community revenue sharing	\$ 164,824	\$ -	\$ -	\$ -	\$ 164,824
Payments in lieu of taxes	98,593	-	-	-	98,593
State on-behalf funding - PERS	24,928	-	-	-	24,928
Intergovernmental - other	13,983	194,276	153,614	58,377	420,250
Total intergovernmental	<u>302,328</u>	<u>194,276</u>	<u>153,614</u>	<u>58,377</u>	<u>708,595</u>
Charges for services	135,788	-	-	-	135,788
Property tax	290,583	-	-	-	290,583
Sales tax	155,956	-	-	-	155,956
Other taxes	8,566	-	-	-	8,566
Rent	20,873	-	-	-	20,873
Interest on savings	1	-	-	-	1
Miscellaneous income	66,532	-	-	-	66,532
Total revenues	<u>980,627</u>	<u>194,276</u>	<u>153,614</u>	<u>58,377</u>	<u>1,386,894</u>
<b>EXPENDITURES</b>					
Current:					
General government	330,989	-	-	17,882	348,871
Public safety	149,247	-	-	-	149,247
Public works	91,808	-	-	-	91,808
Culture and recreation	235,982	-	-	-	235,982
Education	93,288	-	-	-	93,288
Capital outlay	-	194,276	136,059	40,495	370,830
Total expenditures	<u>901,314</u>	<u>194,276</u>	<u>136,059</u>	<u>58,377</u>	<u>1,290,026</u>
Revenue over expenditures	<u>79,313</u>	<u>-</u>	<u>17,555</u>	<u>-</u>	<u>96,868</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	17,555	-	-	-	17,555
Transfers out	(35,000)	-	(17,555)	-	(52,555)
Total other financing sources (uses)	<u>(17,445)</u>	<u>-</u>	<u>(17,555)</u>	<u>-</u>	<u>(35,000)</u>
Net change in fund balances	<u>61,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,868</u>
Fund balances - beginning, as restated	<u>1,210,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,210,858</u>
Fund balances - ending	<u>\$ 1,272,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,272,726</u>

See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

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Net change in fund balances, total governmental funds \$ 61,868

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation \$559,467 exceeded capital outlays \$370,830 in the current period. (188,637)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes collected. (704)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Interest payable (106,875)  
 Compensated absences (8,044)

Change in net position of governmental activities \$ (242,392)

See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	<b>Enterprise Funds</b>		
	<b>Municipal Utilities</b>	<b>Port Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	19,410	19,410
Receivables	14,000	-	14,000
Capital assets, net	1,475,441	6,387,934	7,863,375
Total assets	<u>1,489,441</u>	<u>6,407,344</u>	<u>7,896,785</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	352	-	352
Accrued expenditures	32	-	32
Total current liabilities	<u>384</u>	<u>-</u>	<u>384</u>
Noncurrent liabilities:			
Due within one year	25,929	-	25,929
Accrued leave	15,740	11,875	27,615
Advances from other funds	993,255	309,586	1,302,841
Due in more than one year	230,260	-	230,260
Total noncurrent liabilities	<u>1,265,184</u>	<u>321,461</u>	<u>1,586,645</u>
Total liabilities	<u>1,265,568</u>	<u>321,461</u>	<u>1,587,029</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,219,252	6,387,934	7,607,186
Unrestricted	(995,379)	(302,051)	(1,297,430)
Total net position	<u>\$ 223,873</u>	<u>\$ 6,085,883</u>	<u>\$ 6,309,756</u>

See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

	<b>Enterprise Funds</b>		
	<b>Municipal Utilities</b>	<b>Port Authority</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 146,919	\$ 91,360	\$ 238,279
<b>OPERATING EXPENSES</b>			
Depreciation	171,471	509,393	680,864
Payroll expenses	71,337	58,202	129,539
Electrical	47,579	11,598	59,177
Insurance	39,101	19,606	58,707
Fuel	37,765	13,222	50,987
Bad debt	15,566	-	15,566
Repairs and maintenance	3,178	9,179	12,357
Supplies	10,328	1,355	11,683
Professional services	3,715	2,811	6,526
Equipment	4,934	514	5,448
Telephone	2,803	1,292	4,095
Office & clerical supplies	660	-	660
Dues and subscriptions	201	-	201
Other	51,303	44,935	96,238
Total operating expenses	<u>459,941</u>	<u>672,107</u>	<u>1,132,048</u>
Operating loss	(313,022)	(580,747)	(893,769)
<b>NON-OPERATING REVENUES</b>			
Intergovernmental	6,530	4,677	11,207
Earnings on investments	-	947	947
Interest expense	(160)	-	(160)
Total non-operating revenues	<u>6,370</u>	<u>5,624</u>	<u>11,994</u>
Income (loss) before transfers	(306,652)	(575,123)	(881,775)
<b>TRANSFERS</b>			
Transfers	35,000	-	35,000
Change in net position	<u>(271,652)</u>	<u>(575,123)</u>	<u>(846,775)</u>
Net position - beginning, as restated	<u>495,525</u>	<u>6,661,006</u>	<u>7,156,531</u>
Net position - ending	<u>\$ 223,873</u>	<u>\$ 6,085,883</u>	<u>\$ 6,309,756</u>

See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

	<b>Enterprise Funds</b>		
	<b>Municipal Utilities</b>	<b>Port Authority</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 173,659	\$ 100,883	\$ 274,542
Payments to suppliers	(300,898)	(106,303)	(407,201)
Payments to employees	(69,683)	(47,488)	(117,171)
Net cash used by operating activities	(196,922)	(52,908)	(249,830)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Loans from general fund	188,011	52,908	240,919
Transfers from other funds	35,000	-	35,000
Net cash provided by non-capital financing activities	223,011	52,908	275,919
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal and interest paid on ADEC loans	(26,089)	-	(26,089)
Net cash used by capital and related financing activities	(26,089)	-	(26,089)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	-	947	947
Reinvestment of earnings	-	(947)	(947)
Net cash provided by investing activities	-	-	-
Net increase in cash	-	-	-
Cash - beginning	-	-	-
Cash - ending	\$ -	\$ -	\$ -

See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

	<b>Enterprise Funds</b>		
	<b>Municipal Utilities</b>	<b>Port Authority</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (313,022)	\$ (580,747)	\$ (893,769)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Depreciation	171,471	509,393	680,864
PERS expense paid on behalf of the City	6,530	4,677	11,207
Change in assets and liabilities:			
Decrease in accounts receivable	3,617	7,219	10,836
Decrease in due from other governments	24,839	2,304	27,143
Decrease in accounts payable	(83,925)	(1,791)	(85,716)
Increase in accrued expenses	32	-	32
Increase (decrease) in accrued vacation	(4,748)	6,037	1,289
Decrease in unearned income	(1,716)	-	(1,716)
Total adjustments	116,100	527,839	643,939
Net cash used by operating activities	<u>\$ (196,922)</u>	<u>\$ (52,908)</u>	<u>\$ (249,830)</u>
<b>NONCASH NON-CAPITAL FINANCING ACTIVITIES</b>			
State of Alaska contributions to PERS pension and healthcare accounts on behalf of the City	<u>\$ 6,530</u>	<u>\$ 4,677</u>	<u>\$ 11,207</u>

See accompanying notes to basic financial statements

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial reporting entity
- B. Basis of presentation
- C. Measurement focus and basis of accounting
- D. Assets, liabilities, and equity
- E. Revenues, expenditures, and expenses
- F. Change in accounting principle

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

- A. Fund accounting requirements
- B. Revenue restrictions
- C. Budgets
- D. Management discussion and analysis

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

- A. Cash and investments
- B. Receivables
- C. Due from other governments
- D. Capital assets
- E. Accrued expenses
- F. Interfund receivables, payables, and transfers
- G. Unearned income
- H. Long-term liabilities
- I. Defined benefit pension plan
- J. Defined contribution pension plan
- K. Prior period adjustments

**NOTE 4. OTHER NOTES**

- A. Risk management
- B. Lease agreements
- C. Going concern/uncertainty
- D. Subsequent events
- E. New accounting pronouncement

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. - FINANCIAL REPORTING ENTITY**

The City of Nenana, Alaska was incorporated in 1921 as a home rule municipality under the laws of the State of Alaska. The City operates under a Council - Mayor form of government. It is inhabited by 386 people according to the 2013 census. It is an interior community located on the Tanana River 70 miles southwest of the City of Fairbanks. The City is known nationally as the home of the "Nenana Ice Classic". The City provides a variety of services including water, sewer, fire, and public safety.

As required by accounting principles generally accepted in the United States of America, these financial statements present City of Nenana (primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

The component unit column in the financial statements includes the financial data of the Nenana City School District. It is discretely presented in a separate column to emphasize that it is legally separate from the City. Nenana City School District is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters; however, the School District is fiscally dependent upon the City because the City Council approves the total annual budget of the School District and levies the necessary taxes.

Complete financial statements of the School District can be obtained from its administrative offices at the address below:

Nenana City School District  
P.O. Box 10  
Nenana, Alaska 99760

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

**1.B. - BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting activity of the City and its component unit. In general, the effect of interfund activity has been removed from these statements to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF NENANA, ALASKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.B. - BASIS OF PRESENTATION, (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among the program revenues are reported instead as *general revenues*.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified basis of accrual accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is reversed and the revenue recognized in the period that the amount becomes available.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Major Governmental Funds**

General Fund - The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.B. - BASIS OF PRESENTATION, (Continued)**

Tolchaket Access Fund - This capital project fund accounts for the receipts and disbursements of funds received for the Tolchaket Resource Development Corridor Access project. Funds are received from the State of Alaska under grant numbers 13-GO-011 and 14-DC-105.

Fuel Depot Fund - This capital project fund accounts for the receipts and disbursements of funds received to replace the City's airport fuel depot. The funds are received from the U.S. Department of Transportation, Federal Aviation Administration under AIP Project No. 3-02-0191-015-2012.

**Major Proprietary Funds**

Municipal Utilities Enterprise Fund - This fund accounts for the operations of the City owned water and sewer utility. Services are provided to business and residential customers. Residential customers are served at a fixed rate.

Port Authority Enterprise Fund - This fund accounts for the operations of the City owned airport and port.

**1.C. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all liabilities, and deferred outflows and inflows of resources associated with the operation of the City are included in the Statement of Net Position. The Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City.

The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**1.C. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Measurement Focus, (Continued)**

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities, as well as proprietary fund financial statements, are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset used. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected the current period or within sixty days after year-end. Reimbursement grant revenues are considered available if they are collected within one year of the end of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Property taxes, sales taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when received by the government.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**1.C. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Basis of Accounting, (Continued)**

Amounts reported as program revenues include charges to customers for goods or services, operating grants and contributions, and capital grants and contributions. General revenues include sales taxes, state revenue sharing, interest income, and non-program specific income. The City does not allocate indirect expenses to functions in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses and depreciation. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**1.D. - ASSETS, LIABILITIES, AND EQUITY**

**Central Treasury**

A central treasury is used to account for cash for most funds of the City to maximize interest income. Investments are stated at fair value. Investment earnings are allocated to most funds based on their respective cash balances. Nenana City School District maintains separate cash accounts from the City.

**Cash and Cash Equivalents**

For the purpose of the Statement of Net Position and for reporting cash flows "cash and cash equivalents" includes all cash on hand, cash in checking accounts, interest-bearing deposits and highly liquid investments with an original maturity of three months or less.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**1.D. - ASSETS, LIABILITIES, AND EQUITY**

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either due to /from other funds (i.e. the current portion of interfund loans) or advances to/from other funds (i.e. the noncurrent portion of interfund loans).

**Prepaid Expenses**

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

**Accrued Leave**

The City allows employees to accumulate earned but unused vacation. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees terminate employment. All vacation pay is accrued when earned in the government wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if it has matured (e.g. the employee has terminated employment).

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight line method over the following useful lives:

Buildings and improvements	25 - 100 years
Water and sewer system	20 - 40 years
Airport improvements	10 - 40 years
Equipment and vehicles	5 - 30 Years

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**1.D. - ASSETS, LIABILITIES, AND EQUITY**

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether it is reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental resources are reported as liabilities in the government-wide statements and enterprise fund financial statements.

Long-term debts for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**Equity Classifications**

*Government-wide Statements* - Equity is classified as Net Position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

*Fund Statements* - Governmental fund equity is reported in five classifications of fund balance based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- a. Restricted fund balance. This classification reflects the constraints imposed on resources externally or by law through enabling legislation. The City has no restricted fund balance.
- b. Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council. The City has no committed fund balance.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**1.D. - ASSETS, LIABILITIES, AND EQUITY**

**Equity Classifications, (Continued)**

- c. Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and Mayor have the authority to assign amounts to be used for specific purposes. The City has no assigned fund balance.
- d. Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration of the general fund and special revenue funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

**1.E. - REVENUES, EXPENDITURES, AND EXPENSES**

**Grants and Other Intergovernmental Revenues**

In applying the measurable and available concepts to grant and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.



**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 2. - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City of Nenana is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**2.A. - FUND ACCOUNTING REQUIREMENTS**

The City complies with all federal and state laws and regulations requiring the use of separate funds. The legally required funds used by the City include all funds provided by grant agreement.

**2.B. - REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from federal or state requirements. The primary restricted revenue sources are grant funds that are restricted to program expenditures. For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.

**2.C. - BUDGETS**

The City is required to adopt an annual budget prepared by the City management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The budget amounts presented in the accompanying required supplementary information reflects the original and final amounts as revised and approved by the City Council. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. Budgetary control is exercised at the department level. The Mayor is authorized to transfer budget amounts between line items within any department; however, any supplemental appropriations that amend total expenditures of any department or fund require Council approval.

For the year ended June 30, 2013, actual revenue exceeded budgeted revenue by \$127,777. Actual expenditures exceeded budgeted expenditures in the following functional areas:

General government	\$ 92,383
Education	38,288
Public safety	34,213
Culture and recreation	26,342
Public works	6,108
Total	<u>\$ 197,334</u>

**2.D. - MANAGEMENT DISCUSSION AND ANALYSIS**

All governmental entities are required to present management discussion and analysis as required supplementary information; however management discussion and analysis was not prepared by the City.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. - CASH AND INVESTMENTS**

The City of Nenana utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments." The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2013:

Pooled cash and cash equivalents:

Bank deposits	\$ 13,551
Money market funds	2,779
Cash on hand	230
AML investment account	4,234
Total cash and cash equivalents	<u>\$ 20,794</u>

Investment maturities at June 30, 2013 are as follows:

	Fair Value	Less than 1 year	1-5 years	Over 5 years
U.S. government agencies	\$ 2,564	\$ -	\$ -	\$ 2,564
Equity securities	16,846			
	<u>\$ 19,410</u>			

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits. FDIC insurance covers deposits up to \$250,000. At times throughout the year, the City had deposits in excess of the \$250,000 threshold.

**Investment Policy**

The City's investment policy (including the Port Authority) guidelines are as follows:

1. The Council shall approve investment policies, selection of brokers and advisers, goals and objectives, and evaluate investment results.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. - CASH AND INVESTMENTS, (Continued)**

2. Fixed income investments may include U.S. Treasury obligations; government agency issues; state, municipal, and corporate bonds; mutual bond funds; and foreign bonds rated "A" or better. State and municipal bonds must have a rating of "BBB" or better.
3. Certificates of deposit must be fully insured.
4. Repurchase agreements must be collateralized at 105% of market by U.S. Treasury securities.
5. Commercial paper must be rated "P-1" by Moody's or "A-1" by Standard and Poor's.
6. Money market fund portfolios must have maturities of less than one year and consist solely of U.S. Government securities and commercial paper of investment quality.
7. Equity investment may include common and preferred stock with a rating of "B+" or better; convertible bonds; mutual funds; and foreign stocks rated "A" or better. Maximum investment in stocks is 30% of the portfolio.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The U.S. Government agencies investments are rated "AAA" by Standard and Poor's.

The Alaska Municipal League Investment Pool is an external investment pool that is rated "AAAm" by Standard and Poor's. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to its board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements to its participants. AMLIP also has retained an investment advisor to ensure compliance with investment policies.

Participation in AMLIP is voluntary. AMLIP must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments are reviewed for fair value by an independent pricing service. As of June 30, 2013 the fair value of the investment in AMLIP approximates amortized cost.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.B. - RECEIVABLES**

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At June 30, 2013, receivables for the City, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds		
	General Fund	Nonmajor Funds	Total
	Real and personal property taxes, interest and penalties	\$ 392,238	\$ -
Other receivables	8,485	-	8,485
Total receivables	400,723	-	400,723
Less allowance for uncollectible accounts	(14,101)	-	(14,101)
Net receivables	\$ 386,622	\$ -	\$ 386,622
	Enterprise Funds		
	Port Authority	Municipal Utilities	Total
Accounts receivable	\$ -	\$ 53,671	\$ 53,671
Less allowance for uncollectible accounts	-	(39,671)	(39,671)
Net receivables	\$ -	\$ 14,000	\$ 14,000

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.C. - DUE FROM OTHER GOVERNMENTS**

Due from other governments consists of grants receivable as follows:

Tolchaket access	
State of Alaska 13-GO-011	\$ 4,420
9th Street Reconstruction	12,065
Borough study	13,757
	<u>30,242</u>
Total due from other governments	\$ 30,242

**3.D. - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,573,538	\$ 370,830	\$ -	\$ 1,944,368
Land	362,900	-	-	362,900
Total assets not being depreciated	<u>1,936,438</u>	<u>370,830</u>	<u>-</u>	<u>2,307,268</u>
Capital assets, being depreciated:				
Buildings	19,437,664	-	-	19,437,664
Improvements other than buildings	2,335,035	-	-	2,335,035
Equipment and vehicles	1,546,150	-	-	1,546,150
Parks and playground equipment	146,016	-	-	146,016
Total assets being depreciated	<u>23,464,865</u>	<u>-</u>	<u>-</u>	<u>23,464,865</u>
Less accumulated depreciation for:				
Buildings	(9,917,326)	(329,768)	-	(10,247,094)
Improvements other than buildings	(1,684,046)	(128,701)	-	(1,812,747)
Equipment and vehicles	(1,241,140)	(100,998)	-	(1,342,138)
Parks and playground equipment	(146,016)	-	-	(146,016)
Total accumulated depreciation	<u>(12,988,528)</u>	<u>(559,467)</u>	<u>-</u>	<u>(13,547,995)</u>
Capital assets, net	<u>\$12,412,775</u>	<u>\$ (188,637)</u>	<u>\$ -</u>	<u>\$12,224,138</u>

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.D. - CAPITAL ASSETS, (Continued)**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 301,089	\$ -	\$ -	\$ 301,089
Total capital assets not being depreciated, net	301,089	-	-	301,089
Capital assets, being depreciated:				
Improvements other than buildings	22,522,276	-	-	22,522,276
Buildings	1,756,834	-	-	1,756,834
Equipment and vehicles	507,130	-	-	507,130
Total capital assets, being depreciated	24,786,240	-	-	24,786,240
Less accumulated depreciation for:				
Improvements other than buildings	(15,256,766)	(641,519)	-	(15,898,285)
Buildings	(793,488)	(37,558)	-	(831,046)
Equipment and vehicles	(492,836)	(1,787)	-	(494,623)
Total accumulated depreciation	(16,543,090)	(680,864)	-	(17,223,954)
Capital assets, net	<u>\$ 8,544,239</u>	<u>\$ (680,864)</u>	<u>\$ -</u>	<u>\$ 7,863,375</u>

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.D. - CAPITAL ASSETS, (Continued)**

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 23,157
Public safety	7,310
Public works	225,351
Culture and recreation	32,772
Education	270,877
Total depreciation expense governmental activities	\$ 559,467

**Business-type Activities:**

Municipal utilities	\$ 171,471
Port authority	509,393
Total depreciation expense business-type activities	\$ 680,864

**3.E. - ACCRUED EXPENSES**

Accrued expenses as of June 30, 2013 consist of following:

**Governmental Activities:**

Accrued Interest	\$ 1,200,836
Payroll liabilities	38,196
	1,239,032

**Business-type Activities:**

Loan interest payable	\$ 32
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**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.F. - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The City operates most funds through a central treasury. The due from balance reflects that funds claim on cash of the central treasury. As of June 30, 2013, interfund balances consist of the following:

	Due from other funds	Due to other funds
<b>Governmental Funds</b>		
General Fund	\$ -	\$ 50,081
Capital Project Funds:		
Nenana River Bridge	-	4,420
Non major funds		
Water and Sewer Design	49,962	-
School Electrical	274	-
Transfer Station	-	-
Road Dust Control	2,520	-
9th Street Reconstruction	3,935	-
Borough Study	-	2,190
	\$ 56,691	\$ 56,691
	Advances to other funds	Advances from other funds
<b>Governmental Funds</b>		
General Fund	\$ 1,302,841	\$ -
<b>Proprietary Funds</b>		
Municipal Utilities	-	993,255
Port Authority	-	309,586
Total all funds	\$ 1,302,841	\$ 1,302,841

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.F. - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS, (Continued)**

	Transfers from other funds	Transfers to other funds
<b>Governmental Funds</b>		
General Fund	\$ 17,555	\$ 35,000
Fuel Depot	-	17,555
<b>Proprietary Funds</b>		
Municipal Utilities	35,000	-
Total all funds	\$ 52,555	\$ 52,555

**3.G. - UNEARNED INCOME**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2013, the various components of unearned revenue reported in the governmental funds were as follows:

Delinquent property taxes receivable (General Fund)	\$ 349,163
Grant drawdowns prior to meeting all eligibility requirements	52,756
Total unearned revenue for governmental funds	\$ 401,919

**3.H. - LONG-TERM LIABILITIES**

In December 2001, the construction loan for the Student Living Center was refinanced with a U.S. Department of Agriculture (USDA) \$4,500,000 lease revenue bond. The loan is secured by the building, revenue bonds, pledged boarding fees, and revenue from the City's port authority. The original terms of the lease revenue bond required semi-annual payments of \$141,480 including interest at 4.75%. Loan payments began in June 2002 and were to end December 2031. However, beginning in June 2003, the City was unable to make the scheduled payments and is currently in negotiations with USDA to modify the payment terms. The tentative agreement with USDA required semi-annual interest-only payments of \$5,000 beginning December 2003, which the City paid. During the years ended June 30, 2006 through 2012 the City paid \$905,720 to USDA all of which was applied to interest. The accrued interest liability as of June 30, 2013 is \$1,200,836.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.H. - LONG-TERM LIABILITIES, (Continued)**

The following is a summary of the long-term liabilities transactions for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>June 30,</u> <u>2013</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Revenue bonds:					
\$4,500,000 USDA lease revenue bond, interest rate is 4.75%, minimum interest payments due semi-annually of \$5,000 until a new agreement is reached.	\$ 4,425,883	\$ -	\$ -	\$ 4,425,883	\$ -
Accrued interest on revenue bond	1,093,961	106,875	-	1,200,836	-
Accrued leave	28,096	15,730	(7,686)	36,140	-
	<u>\$ 5,547,940</u>	<u>\$ 122,605</u>	<u>\$ (7,686)</u>	<u>\$ 5,662,859</u>	<u>\$ -</u>
<b>Business-type activities</b>					
Loans payable:					
\$256,080 ADEC loan #605011, due in monthly installments of \$1,067, plus interest at 1.5%, through 2024	\$ 139,794	\$ -	\$ (12,792)	\$ 127,002	\$ 12,804
\$262,734 ADEC loan #605021, due in monthly installments of \$1,095, plus interest at 1.5%, through 2024	142,324	-	(13,137)	129,187	13,125
Accrued leave	20,488	17,808	(10,681)	27,615	-
	<u>\$ 302,606</u>	<u>\$ 17,808</u>	<u>\$ (36,610)</u>	<u>\$ 283,804</u>	<u>\$ 25,929</u>

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.H. - LONG-TERM LIABILITIES, (Continued)**

Since a revised payment schedule has not been agreed to, the debt service requirements for the USDA lease revenue bond are not shown. Annual debt service requirements to maturity for the other loans are as follows:

Business-type activities

Year ending June 30,	Principal	Interest	Total
2014	\$ 25,929	\$ 3,665	\$ 29,594
2015	25,929	3,276	29,205
2016	25,929	2,887	28,816
2017	25,929	2,498	28,427
2018	25,929	2,109	28,038
Thereafter	126,544	4,711	131,255
	<u>\$ 256,189</u>	<u>\$ 19,146</u>	<u>\$ 275,335</u>

**3.I. - DEFINED BENEFIT PENSION PLAN**

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

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

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

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.I. - DEFINED BENEFIT PENSION PLAN, (Continued)**

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities.

*Contractual Rate:* This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rates includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

*ARM Board Adopted Rate:* this is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints of restrictions on the actuarial cost method of other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

*GASB 43 Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this calculation are mandated by GASB. For FY13, the rate uses an 8.00% pension discount rate and a 6.88% healthcare discount rate. Additionally, the GAB 43 rate disregards all future Medicare Part D payments.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.I. - DEFINED BENEFIT PENSION PLAN, (Continued)**

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of difference in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2013 was determined as part of the June 30, 2010 actuarial valuation and are as follows:

	Contractual	ARM Board Adopted	GASB 43
	Rate	Rate	Rate
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	12.33%	20.09%	39.93%
Total contribution rate	<u>22.00%</u>	<u>35.84%</u>	<u>64.88%</u>

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributes approximately 13.84% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State PERS on behalf payments of \$35,423 as revenues and expenditures/expenses in the financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB costs as described here.

Year Ended <u>June 30</u>	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contributions	% of TBC <u>Contributed</u>
2013	\$28,971	\$36,872	\$65,843	\$65,843	100%
2012	27,875	34,070	61,945	61,945	100%
2011	25,096	45,220	70,316	70,316	100%

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.J. - DEFINED CONTRIBUTION PENSION PLAN**

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible expenses not covered by the medical plan.

Employer Contribution Rates

The City is required to contribute the following amounts based on covered salary:

	Others Tier IV	Police/Fir Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48	0.48
Occupational death and disability benefits	0.14	0.99
	5.62%	6.47%

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 established this contribution amount as “three percent of the average annual employee compensation of all employees of all employees in the plan”. As of July 1, 2012, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,848 per year for each full-time employee, and \$1.18 per hour for part-time employees.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2013 were \$6,027 and \$4,351, respectively.

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.K. - PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments in government wide and fund financial statements include the correction of the City's property and equipment records for unrecorded capital assets constructed with grant funding and the accumulated depreciation on those capital assets. Additionally, the City's property and equipment records have been updated to reflect assets removed from service or fully depreciated in prior years.

	Governmental Activities	Business-type Activities
Net position as of June 30, 2012, as previously reported	\$ 5,673,134	\$ 8,539,433
Change in interfund balances from voided checks written prior to July 1, 2012	116,089	-
Change accrued leave	1,569	-
Change accrued interest	(1,093,961)	-
Change in interfund balances from voided checks written prior to July 1, 2012	140,784	(140,784)
Capital assets, net of accumulated depreciation	3,587,945	(1,242,118)
Net position as of July 1, 2012, as restated	\$ 8,425,560	\$ 7,156,531

	Fund Financial Statements		
	General Fund	Municipal Utilities	Port Authority
Fund balance/net position as of June 30, 2012, as previously reported	\$ 953,985	\$ 3,890,751	\$ 4,648,682
Void uncleared checks and deposits written prior to July 1, 2012	116,089	-	-
Change in interfund balances from voided checks written prior to July 1, 2012	140,784	(43,919)	(96,865)
Capital assets, net of accumulated depreciation	-	(3,351,307)	2,109,189
Fund balance/net position as of July 1, 2012, as restated	\$1,210,858	\$ 495,525	\$ 6,661,006

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 4 - OTHER NOTES**

**4.A. - RISK MANAGEMENT**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and workers' compensation. AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2013. The City has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

**4.B. - LEASE AGREEMENTS**

*Alaska Railroad Corporation Lease Agreement* - The City has been disputing an increase in lease payments on Alaska Railroad land for the Port since 2009, and disclosed the disputed amount as a contingent liability in the 2009 and 2010 financial statements. This dispute has resulted in the formation of a new contract with the Railroad, which honors the original lease amount through July 31, 2011 and increases the lease by 10% annually effective August 1, 2011 through April 30, 2013.

*Crowley Marine Lease Agreement* - The City entered into a new five year dock lease with Crowley Marine on May 15, 2013. The City will receive \$54,370 per year plus additional fees based upon tonnage moved over the dock. The lease is renewable in five year increments.

Year Ending June 30,	Annual Lease Agreement Revenues
2014	\$ 121,372
2015	105,460
2016	105,460
2017	100,948
2018	100,948
2019-2036	80,148

**CITY OF NENANA, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**NOTE 4 - OTHER NOTES**

**4.C. - GOING CONCERN/UNCERTAINTY**

The City has experienced deficit spending and operating losses resulting in unassigned and unrestricted deficit fund balance/net position across several funds. This has been due, in part, to a lease agreement dispute that has been resolved during the year. The City is continuing to investigate avenues to increase revenues, cut costs, and improve overall financial position. No adjustment has been made to these financial statements with respect to this uncertainty.

**4.D. - SUBSEQUENT EVENTS**

Subsequent events have been considered by management through March 4, 2016

**4.E. - NEW ACCOUNTING PRONOUNCEMENT**

GASB 68 - Accounting and Financial Reporting for Pensions - Effective for the year end June 30, 2015 - This statement will require all governments that participate in defined benefit pension plans to report any "net pension liability" (as newly defined). An additional GASB statement provides guidance for the Plan reporting with a one year earlier implementation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NENANA, ALASKA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property tax	\$ 255,500	\$ 255,500	\$ 290,583	\$ 35,083
Sales tax	145,000	165,000	155,956	(9,044)
Community revenue sharing	120,000	120,000	164,824	44,824
Payments in lieu of taxes	100,000	100,000	98,593	(1,407)
Charges for services	39,200	59,200	135,788	76,588
Rent	51,000	51,000	20,873	(30,127)
Administration fees	55,000	47,000	-	(47,000)
Miscellaneous income	35,600	35,600	66,532	30,932
Other taxes	9,000	9,000	8,566	(434)
Intergovernmental	8,850	8,850	13,983	5,133
Contributions and donations	1,700	1,700	-	(1,700)
Interest on savings	-	-	1	1
Total revenues	<u>820,850</u>	<u>852,850</u>	<u>980,627</u>	<u>127,777</u>
<b>EXPENDITURES</b>				
General government	238,606	238,606	330,989	92,383
Public safety	115,034	115,034	149,247	34,213
Public works	85,700	85,700	91,808	6,108
Culture and recreation	199,430	209,640	235,982	26,342
Education	85,000	55,000	93,288	38,288
Total expenditures	<u>723,770</u>	<u>703,980</u>	<u>901,314</u>	<u>197,334</u>
Revenue over expenditures	97,080	148,870	79,313	(69,557)
<b>OTHER FINANCING USES</b>				
Transfers in	-	-	17,555	17,555
Transfers out	-	(75,000)	(35,000)	40,000
Total other financing sources (uses)	<u>-</u>	<u>(75,000)</u>	<u>(17,445)</u>	<u>57,555</u>
Net change in fund balances	<u>\$ 97,080</u>	<u>\$ 73,870</u>	<u>\$ 61,868</u>	<u>\$ (12,002)</u>

See accompanying note to required supplementary information

**CITY OF NENANA, ALASKA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2013**

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**NOTE 1. - BUDGET AND ACTUAL**

On the budget and actual statement, actual amounts are presented on the same modified accrual basis of accounting as governmental fund statements.

The approved budget and amendments are legally enacted through passage of an ordinance authorizing the Mayor to administer the budget and to transfer appropriate appropriation among funds. Additional appropriations must be approved by Council.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF NENANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	<u>Capital Project Funds</u>								
	<u>Water and Sewer Design</u>	<u>Municipal Airport</u>	<u>Transfer Station</u>	<u>Road Dust Control</u>	<u>Totchaket Access Road</u>	<u>9th Street Reconstruction</u>	<u>School Electrical</u>	<u>Borough Study</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	12,065	-	13,757	25,822
Due from other funds	49,962	-	-	2,520	-	3,935	274	-	56,691
Total assets	<u>\$ 49,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,520</u>	<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ 274</u>	<u>\$ 13,757</u>	<u>\$ 82,513</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,000	\$ -	\$ 11,567	\$ 27,567
Due to other funds	-	-	-	-	-	-	-	2,190	2,190
Unearned income	49,962	-	-	2,520	-	-	274	-	52,756
Total liabilities	<u>49,962</u>	<u>-</u>	<u>-</u>	<u>2,520</u>	<u>-</u>	<u>16,000</u>	<u>274</u>	<u>13,757</u>	<u>82,513</u>
Fund balances									
Unassigned	-	-	-	-	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 49,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,520</u>	<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ 274</u>	<u>\$ 13,757</u>	<u>\$ 82,513</u>

CITY OF NENANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2013

Capital Project Funds

	Water and Sewer Design	Municipal Airport	Transfer Station	Road Dust Control	Totchaket Access Road	9th Street Reconstruction	School Electrical	Borough Study	Total Nonmajor Governmental Funds
<b>REVENUES</b>									
Intergovernmental	\$ 1,449	\$ -	\$ 18,585	\$ 4,271	\$ -	\$ 16,190	\$ -	\$ 17,882	\$ 58,377
<b>EXPENDITURES</b>									
Current:									
General government	-	-	-	-	-	-	-	17,882	17,882
Capital outlay	1,449	-	18,585	4,271	-	16,190	-	-	40,495
Total expenditures	1,449	-	18,585	4,271	-	16,190	-	17,882	58,377
Net change in fund balances	-	-	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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**

Members of the City Council  
City of Nenana, Alaska

Ladies and Gentlemen:

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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Nenana, Alaska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Nenana, Alaska's basic financial statements and have issued our report thereon dated March 4, 2016.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as Finding 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany Schedule of Findings and Responses as Finding 2013-002 to be a significant deficiency.

Members of the City Council  
City of Nenana, Alaska

### **Compliance and Other Matters**

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

### **City of Nenana, Alaska's Response to Findings**

City of Nenana, Alaska's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses and the Corrective Action Plan. City of Nenana, Alaska's 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.



Anchorage, Alaska  
March 4, 2016

CITY OF NENANA, ALASKA  
Schedule of Findings and Responses  
Year Ended June 30, 2013

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

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Is a going concern emphasis-of-matter paragraph included in the audit report?	<u> X </u>	Yes	<u>     </u> No
Internal control over financial reporting:			
Material weakness(es) identified?	<u> X </u>	Yes	<u>     </u> No
Significant deficiency(ies) identified?	<u> X </u>	Yes	<u>     </u> No
Noncompliance material to financial statements noted?	<u>     </u>	Yes	<u> X </u> No

Schedule of Findings and Questioned Costs, Continued

**Section II – Financial Statement Findings**

**Finding 2013-001**

**General Ledger Reconciliation**

**Material Weakness**

**Criteria:** Accounts should be reconciled in a timely and accurate manner to provide assurance that account balances are properly stated.

**Condition:** Account reconciliations were either not performed on a regular and timely basis or were performed inaccurately throughout the year.

**Context:** The general ledger was not fully reconciled or closed out at the onset of the audit. Accounts that required significant adjustments included: cash, equity, depreciation expense, accounts payable, accrued payroll, capital assets, and grant revenues/receivables.

**Effect:** Material errors could occur and remain undetected for an extended time period.

**Cause:** Errors and necessary corrections were either not identified or not corrected due to inadequate record keeping in both the current and prior years.

**Recommendation:** We recommend that a formal reconciliation schedule be established, including specific dates for review by qualified personnel. This schedule should include a list of each significant reconciliation required, the date the reconciliation should be complete, and the timeline for review.

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

**Finding 2013-002**

**Internal Controls over Payroll**

**Significant Deficiency**

**Criteria:** Policies and procedures should be in place to ensure employees are paid based on approved amounts and in accordance with actual work performed.

**Condition:** Hourly employees were not properly paid for additional overtime hours worked noted on timecards.

**Context:** During testwork over payroll, two separate instances were identified where hourly employees who had worked overtime were not properly paid for the additional hours worked.

**Cause:** The City did not have appropriate internal controls in place to properly approve timesheets for hourly employees.

CITY OF NENANA, ALASKA

Schedule of Findings and Questioned Costs, Continued

**Effect:** The lack of adequate timecard review and approval by a supervisor could result in inappropriate employee compensation.

**Recommendation:** The City should implement proper internal controls over payroll in order to properly approve timecards and ensure proper payment of hours worked by employees.

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

**Section III – Summary of Prior Year Audit Findings**

*No matters to report.*

CITY OF NENANA, ALASKA

Corrective Action Plan

Year Ended June 30, 2013

**Financial Statement Findings**

**Finding 2013-001**

**General Ledger Reconciliation**

**Name of Contact:** Jason Mayrand

**Corrective Action Plan:** The City of Nenana has instituted a policy to ensure that all the bank reconciliation work is accomplished on a monthly basis to be completed and be reviewed by the Treasurer or Mayor within 10 days of receipt to ensure that all revenue and expenditure data presented reflects accurately and factually with the general fund ledger and software.

We recognize the importance of accurate and timely reconciliation of accounts in order to facilitate efficient operation of the City and its obligation to fully track public funds.

**Proposed Completion Date:** The reconciliation of all accounts is currently underway and will be completed by April 1, 2016.

**Finding 2013-002**

**Internal Controls over Payroll**

**Name of Contact:** Jason Mayrand

**Corrective Action Plan:** The City of Nenana has reviewed the current practice of processing payroll and has modified it by adding recommendations made as a result of this review. A compilation of State and Federal Employment Laws was acquired and discussed by all persons involved with processing payroll to ensure that there is a complete understanding of compliance rules.

The accurate accounting of payroll is of great importance to both the City and its employees. We endeavor to ensure that all records, time cards and payroll processes are in proper form.

**Proposed Completion Date:** Already implemented.