

City of Pelican
Letter to the Governing Board
Year Ended June 30, 2015

City of Pelican

Letter to the Governing Board

Year Ended June 30, 2015

January 5, 2016

Members of the City Council
City of Pelican
Pelican, Alaska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pelican, Alaska, for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 12, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Pelican, Alaska, are described in Note I to the financial statements. We noted no transactions entered into by the City of Pelican, Alaska during the year for which there is a lack of authoritative guidance or consensus. As described in Note IV.D. to the financial statements, the City changed accounting policies related to the Alaska Public Employees' Retirement System (PERS) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68* in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

All opinion units:

Management's estimate of the collectability of accounts receivable is based on historical collections. We evaluated the key factors and assumptions used to develop the accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Government-wide opinion unit:

Management's estimate of the useful lives and depreciation is based on the expected life of an asset. We evaluated the key factors and assumptions used to develop the useful lives and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the City's proportionate share of the collective net pension liability and related deferred outflows and inflows of resources are based on information furnished by the State of Alaska and actuarial reports generated during the audit of the Public Employees' Retirement System. The amortization of these deferrals is based on guidance provided by the Governmental Accounting Standards Board. We evaluated the key factors and assumptions used to develop the estimates of the City's proportionate share of the collective net pension liability and deferred outflows and inflows of resources and related amortization in determining that it is reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management.

- A journal entry for \$18,237 was made to correct inventory at year end.
- A journal entry for a total of \$10,424 was made to record the accrual of leave and payroll liabilities

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 5, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City of Pelican, Alaska’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Accounting Assistance

During the audit we provided technical accounting assistance associated with Governmental Accounting Standards Board (GASB) guidance for certain reporting items, including the summarization and recording of capital assets in the government-wide financial statements. As part of our engagement, we assisted management in the drafting of the basic financial statements of the City from the City’s accounting records; however, management of the City was involved in the drafting process and retains responsibility for the basic financial statements.

Internal Controls

See the June 30, 2015 financial statements, compliance section for definitions of deficiencies, significant deficiencies, material weaknesses and any related findings.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Pelican, Alaska’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Grant Reform

The Office of Management and Budget published final guidelines on grant reforms which went into effect on December 26, 2014. The new threshold for federal audits was raised from \$500,000 to \$750,000. Included in the new guidelines are significant reforms to administrative requirements, cost principles, requirements for risk assessment, standards for financial and program management, subrecipient monitoring and audit requirements. Written policies are strongly encouraged and the lack of written policies may result in compliance findings.

Procurement standards require entities to have strong policies preventing organizational conflicts of interest which will be used to protect the integrity of procurements under federal awards and subawards. For Internal Controls, institutions must establish and maintain effective internal controls over federal awards, and the controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States and the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Nonfederal entities will also need to take reasonable measures to safeguard protected personally identifiable information.

These new requirements are for all new awards obtained after December 26, 2014. We encourage management to review these new guidelines and establish written policies and procedures to remain in compliance with all new requirements related to this grant reform.

Supplementary Information Accompanying the Financial Statements

We applied certain limited procedures to management discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of revenues, expenditures and changes in fund balance – budget and actual for the General Fund, the schedule of revenues, expenditures and changes in fund balance for the Pelican Utility District Special Revenue Fund, and the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of City of Pelican, Alaska and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Anchorage, Alaska

CITY OF PELICAN, ALASKA

Basic Financial Statements, Required Supplementary
Information, Additional Supplementary Information
and Compliance Reports

Year Ended June 30, 2015

CITY OF PELICAN, ALASKA

Basic Financial Statements, Required Supplementary
Information, Additional Supplementary Information
and Compliance Reports

Year Ended June 30, 2015

CITY OF PELICAN, ALASKA

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CITY OF PELICAN, ALASKA

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Pelican, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Honorable Mayor and Members of the City Council
City of Pelican

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pelican, Alaska, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Pelican Utility District Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note IV - D to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. 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 schedules of the City's proportionate share of net pension liability and the City's contributions for the public employees' retirement system on pages 36-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Honorable Mayor and Members of the City Council
City of Pelican

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pelican, Alaska's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes Major Governmental Funds: Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and the Pelican Utility District Special Revenue Fund; Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances; Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (where applicable) – Nonmajor Special Revenue Funds and Capital Project Funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of the City of Pelican, Alaska'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 Pelican, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
January 5, 2016

CITY OF PELICAN, ALASKA

Statement of Net Position

June 30, 2015

	<u>Primary Government</u>	<u>Component Unit School District</u>
Assets and Deferred Outflows of Resources		
Current:		
Cash and cash equivalents	\$ 222,868	336,569
Investments	778,937	-
Receivables	162,330	4,849
Inventory	135,659	4,928
Prepaid items	-	10,818
Total current assets	<u>1,299,794</u>	<u>357,164</u>
Non-current:		
Notes receivable, land sales	50,734	-
Capital assets	15,682,965	76,327
Accumulated depreciation	<u>(7,672,056)</u>	<u>(76,327)</u>
Total non-current assets	<u>8,061,643</u>	<u>-</u>
Deferred outflows of resources - pension deferrals	<u>18,518</u>	<u>13,392</u>
Total assets and deferred outflows of resources	<u>9,379,955</u>	<u>370,556</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current:		
Accounts payable	40,374	3,631
Accrued payroll and withholdings	4,015	31,148
Accrued annual leave	33,223	-
AIDEA loan	5,470	-
Unearned revenue	21,202	-
Total current liabilities	<u>104,284</u>	<u>34,779</u>
Noncurrent liabilities:		
Net pension liabilities	<u>179,702</u>	<u>184,166</u>
Deferred inflows of resources - pension deferrals	<u>17,295</u>	<u>19,738</u>
Total liabilities and deferred inflows of resources	<u>301,281</u>	<u>238,683</u>
<u>Net Position</u>		
Net investment in capital assets	8,010,909	-
Unrestricted	1,067,765	131,873
Total net position	<u>\$ 9,078,674</u>	<u>131,873</u>

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

CITY OF PELICAN, ALASKA

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Primary Government				Net (Expense) Revenue and Changes in Net Position	
	Program Revenues				Total Governmental Activities	Component Unit School District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental Activities:						
General government	\$ 213,000	46,653	302	-	(166,045)	-
Fuel dock	413,509	405,646	301	-	(7,562)	-
Public safety	12,483	-	-	-	(12,483)	-
Public works	558,976	100,726	452	45,349	(412,449)	-
Economic development	14,057	-	14,057	-	-	-
Community services	441,651	70,271	346,495	-	(24,885)	-
Education	41,236	-	25,588	-	(15,648)	-
Total primary government	<u>1,694,912</u>	<u>623,296</u>	<u>387,195</u>	<u>45,349</u>	<u>(639,072)</u>	<u>-</u>
Component Unit - School District	\$ <u>536,684</u>	<u>-</u>	<u>69,867</u>	<u>-</u>	<u>-</u>	<u>(466,817)</u>
General revenues and transfers:						
Taxes					117,352	-
City appropriation					-	39,553
Unrestricted interest and investment revenue					65,517	-
E-Rate					31,464	30,002
Grants and contributions not restricted to specific programs					123,218	457,230
Other					61,254	13,850
Capital assets transferred to the City					216,790	(216,790)
Total general revenues and transfers					<u>615,595</u>	<u>323,845</u>
Change in net position					(23,477)	(142,972)
Net position - beginning, as previously stated					9,327,614	505,386
Cumulative effect of a change in accounting principle					(225,463)	(230,541)
Net position - beginning, as restated					<u>9,102,151</u>	<u>274,845</u>
Net position - ending					\$ <u>9,078,674</u>	<u>131,873</u>

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

CITY OF PELICAN, ALASKA

Balance Sheet - Governmental Funds

June 30, 2015

<u>Assets</u>	<u>General Fund</u>	<u>Pelican Utility District Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 211,868	11,000	-	222,868
Investments	778,937	-	-	778,937
Receivables:				
Local (net of allowance)	49,330	6,424	-	55,754
Federal	-	-	89,925	89,925
State	-	12,455	4,196	16,651
Notes receivable, land sales	50,734	-	-	50,734
Inventory	116,036	19,623	-	135,659
Due from other funds	94,121	67,980	13,243	175,344
Total assets	<u>\$ 1,301,026</u>	<u>117,482</u>	<u>107,364</u>	<u>1,525,872</u>

Liabilities, Deferred Inflows of Resources
and Fund Balances (Deficit)

Liabilities:				
Accounts payable	40,374	-	-	40,374
Accrued payroll and withholdings	4,015	-	-	4,015
Accrued annual leave	33,223	-	-	33,223
Due to other funds	81,223	-	94,121	175,344
AIDEA loan	-	5,470	-	5,470
Unearned revenue	7,959	-	13,243	21,202
Total liabilities	<u>166,794</u>	<u>5,470</u>	<u>107,364</u>	<u>279,628</u>
Deferred inflows of resources:				
Unavailable revenues	<u>68,666</u>	<u>3,939</u>	<u>-</u>	<u>72,605</u>
Fund balances:				
Nonspendable - Inventory	116,036	19,623	-	135,659
Committed - for Utility District	-	88,450	-	88,450
Unassigned	949,530	-	-	949,530
Total fund balances	<u>1,065,566</u>	<u>108,073</u>	<u>-</u>	<u>1,173,639</u>
Total liabilities, deferred inflows or resources and fund balances	<u>\$ 1,301,026</u>	<u>117,482</u>	<u>107,364</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	8,010,909
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds	72,605
Proportionate share of the collective net pension liability: PERS	(179,702)
Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report. Pension related assets in the current fiscal year are presented as deferred outflows of resources: PERS	18,518
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources: PERS	<u>(17,295)</u>
Net position of governmental activities	<u>\$ 9,078,674</u>

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

CITY OF PELICAN, ALASKA

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

Year Ended June 30, 2015

	General Fund	Pelican Utility District Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources:				
Taxes	\$ 117,352	-	-	117,352
Charges for services	213,642	165,566	-	379,208
Interest and investment revenue	65,517	-	-	65,517
Fuel dock - charges for services	405,646	-	-	405,646
Other	61,254	-	-	61,254
Intergovernmental:				
State of Alaska	208,526	72,313	16,301	297,140
Federal sources	40,151	-	151,420	191,571
Total revenues	<u>1,112,088</u>	<u>237,879</u>	<u>167,721</u>	<u>1,517,688</u>
Expenditures:				
Current:				
General government	230,424	-	-	230,424
Fuel dock	423,164	-	-	423,164
Public safety	6,650	-	-	6,650
Public works	230,459	-	-	230,459
Economic development	-	-	14,057	14,057
Community services	99,601	203,913	108,315	411,829
Education	39,553	-	-	39,553
Capital outlay	-	-	45,349	45,349
Total expenditures	<u>1,029,851</u>	<u>203,913</u>	<u>167,721</u>	<u>1,401,485</u>
Excess of revenues over expenditures	82,237	33,966	-	116,203
Other financing sources:				
Proceeds from principal payments of land sales notes receivable	13,881	-	-	13,881
Proceeds from sale of assets	13,136	-	-	13,136
Net other financing sources	<u>27,017</u>	<u>-</u>	<u>-</u>	<u>27,017</u>
Net change in fund balances	109,254	33,966	-	143,220
Fund balances, beginning of year	<u>956,312</u>	<u>74,107</u>	<u>-</u>	<u>1,030,419</u>
Fund balances, end of year	<u>\$ 1,065,566</u>	<u>108,073</u>	<u>-</u>	<u>1,173,639</u>

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

CITY OF PELICAN, ALASKA

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

Year Ended June 30, 2015

Net change in fund balance - total government funds		\$	143,220
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:			
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.			
Net change in the unfunded net pension liability:			
PERS			24,142
Amortization of deferred inflows of resources:			
PERS			4,324
Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report.			
Contributions to the pension plan in the current fiscal year are included in the fund financial statements and are presented as changes in deferred outflows of resources in the government-wide financial statements - PERS			
			18,518
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.			
This is the amount by which depreciation exceeded capital outlay in the current period:			
Capital outlay		270,774	
Depreciation expense		<u>(451,947)</u>	
Net			(181,173)
Governmental funds only report the revenue from the sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. The net effect of transactions involving capital assets is to decrease net position.			
Cost of land sold			(13,136)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds:			
Prior year not considered available		(91,977)	
Current year not considered available		<u>72,605</u>	
			<u>(19,372)</u>
Change in net position of governmental activities		\$	<u><u>(23,477)</u></u>

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

CITY OF PELICAN, ALASKA

General Fund

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

Year Ended June 30, 2015

	Original and Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget- Positive <u>(Negative)</u>
Revenues:			
Local sources:			
Taxes	\$ 105,000	117,352	12,352
Charges for services	200,000	213,642	13,642
Interest and investment revenue	60,000	65,517	5,517
Fuel dock - charges for services	700,000	405,646	(294,354)
Other	9,200	61,254	52,054
Intergovernmental:			
State of Alaska	126,600	208,526	81,926
Federal sources	53,500	40,151	(13,349)
Total revenues	<u>1,254,300</u>	<u>1,112,088</u>	<u>(142,212)</u>
Expenditures:			
Current:			
General government	413,000	230,424	182,576
Fuel dock	567,150	423,164	143,986
Public safety	16,350	6,650	9,700
Public works	179,500	230,459	(50,959)
Community services	-	99,601	(99,601)
Education	39,553	39,553	-
Total	<u>1,215,553</u>	<u>1,029,851</u>	<u>185,702</u>
Excess of revenues over expenditures	<u>38,747</u>	<u>82,237</u>	<u>43,490</u>
Other financing sources:			
Proceeds from principal payments of land sales notes receivable	-	13,881	13,881
Proceeds from sale of assets	-	13,136	13,136
	<u>-</u>	<u>27,017</u>	<u>27,017</u>
Net change in fund balance	<u>\$ 38,747</u>	109,254	<u>70,507</u>
Fund balance, beginning of year		<u>956,312</u>	
Fund balance, end of year		<u>\$ 1,065,566</u>	

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

CITY OF PELICAN, ALASKA

Pelican Utility District Special Revenue Fund

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

Year Ended June 30, 2015

	Original and Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget- Positive <u>(Negative)</u>
Revenues:			
State	\$ -	72,313	72,313
Local sources:			
Charges for services	<u>-</u>	<u>165,566</u>	<u>165,566</u>
	<u>-</u>	<u>237,879</u>	<u>237,879</u>
Expenditures:			
Community services	<u>-</u>	<u>203,913</u>	<u>(203,913)</u>
Excess of revenues over expenditures	<u>\$ -</u>	33,966	<u>33,966</u>
Fund balance, beginning of year		<u>74,107</u>	
Fund balance, end of year		<u>\$ 108,073</u>	

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

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Pelican, Alaska, (the City) was incorporated in 1943 as a second-class city, and was later reclassified as a first-class city in 1974. The City operates under a Mayor-Council form of government. The City provides a variety of services including general administration, street maintenance, sanitation, health services, culture-recreation, public improvements, planning and zoning, boat harbor, library, fire services, and education. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the City. The discretely presented component unit has a June 30 year-end.

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

Discretely Presented Component Unit. Pursuant to Alaska Statutes, Title 29.43.030, the City of Pelican has the responsibility of establishing, maintaining and operating a system of public schools. The City has delegated the administrative responsibilities for these functions to the School Board of the Pelican City School District. The Pelican City School District is organized under Title 14 of Alaska Statutes as amended. The public elects members of the School Board. The School Board has control over hiring and firing employees and the power to contract and purchase equipment. On an annual basis, the School Board is required to submit a budget to the City Council for approval for the purpose of appropriating the local contribution.

Complete financial statements of the component unit can be obtained from the administrative office of the Pelican City School District at P.O. Box 170, Pelican, Alaska, 99576-0170.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

The City reports the following major governmental funds:

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

The *Pelican Utility District Special Revenue Fund* accounts for the utility charges and activities of the City.

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

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

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

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

Intergovernmental Revenue:

State of Alaska and federal government cost reimbursable grants and contracts and State of Alaska construction grant revenues are recorded to the extent of allowable expenditures in the period the expenditures are incurred.

State of Alaska fisheries business tax, and State levied taxes (the proceeds of which are distributed to local governments) are recorded in the fiscal year to which they relate.

Local Revenue:

Property Tax:

Property taxes are based on the assessed value of taxable property as of January 1st. Pursuant to Alaska Statute 29.45.240, the City establishes the mill rate on or before June 15th. Tax bills are then mailed on or before July 1st.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Taxes are due on October 15th. If paid on or before October 15th a discount of 5% is taken off the tax bill. If a property owner pays half on or before October 15th the balance is due by March 15th. City property tax revenues are recognized in the fiscal year in which they become measurable and available, which is generally the year following the year the tax bills are mailed.

When taxes become delinquent a tax foreclosure process may commence as outlined in Alaska Statutes Title 29. Briefly, this entails the petition for Judgment of Foreclosure signed by the District Court Judge and the publication of all delinquent taxes in the local newspaper for four consecutive weeks.

Use of Estimates

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

D. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

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

2. Investments

Investments are stated at fair value. These investments are managed under Chapter 3.18 of the City's policies and procedures Notebook, Investment Policy. A focus on minimizing credit and market risks, mitigating negative effects of inflation and simply identifying and matching the cash flow needs of the City's general and many special revenue funds is the goal.

3. Short-term Interfund Receivables and Payables

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

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

4. Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis and are recorded as expenditures when consumed. Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items. The inventories and prepaid items recorded in the governmental fund types do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable.

5. Taxes Receivable

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

6. Capital Assets

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

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

7. Unearned Revenue/Unavailable Revenue

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

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave because there is no provision for payment or use of sick leave upon termination. Vacation pay is accrued when incurred and reported as a fund liability because all leave is expected to be liquidated with expendable available financial resources.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

9. Net Position

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

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

10. Fund Balance

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

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

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

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

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

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

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

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

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

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

1. Prior to May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council.
5. Budgeted amounts are as originally adopted or as amended by the City Council through resolutions. Expenditure authority for the City's General Fund is at the departmental level.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the following funds:

General Fund:	<u>Amount Exceeded</u>
Public works	\$ 50,959
Community services	99,601

Excess of expenditures over appropriations were funded through current year revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents and Investments

All deposits are carried at fair value. The City has adopted an investment policy and is empowered to invest in, and is restricted to, the following types of securities:

1. Obligations of the United States or obligations either insured by or guaranteed by agencies and instrumentalities of the United States
2. Certificates of deposit and term deposits of U.S. Domestic banks, that are members of FDIC
3. Repurchase and reverse repurchase agreements secured by obligations of the Treasury of the United States and obligations of an agency or instrumentality of the U.S.
4. The Alaska Municipal League Investment Pool, Inc. made in compliance with the terms of that Pool's common investment agreement
5. Commercial paper and other short-term taxable instruments that, at the time of investment, maintain the highest rating of at least two nationally recognized rating services
6. Obligations of a corporation domiciled in the U.S. or obligations of a municipality
7. Mutual funds and money market funds that meets the requirements of the investment policy

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

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

Custodial credit risk – is the risk that in an event of a bank or counterparty failure, the City's deposits and investments will not be returned. The City maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reported on the balance sheet as "Cash and cash equivalents" or amounts "due to/from funds." the City's bank accounts are insured by the Federal Depository Insurance Corporation (FDIC) to a maximum of \$250,000. At June 30, 2015, the City's deposits were fully insured or collateralized. The insured or collateralized balance does not protect against market share losses. Investments held by the City are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer per financial institution. At June 30, 2015, the City's investment balances were uninsured by \$278,937.

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

	Carrying amount and fair value
Municipal bonds	\$ 226,218
Mutual funds	343,365
Unit trusts	<u>209,354</u>
Total investments	\$ <u>778,937</u>

Maturities of investments – municipal bonds are as follows:

	\$	<u>Percentage</u>
0 – 5 years	75,584	9%
6 – 15 years	-	-
16 or more years	<u>150,634</u>	19%
	\$ <u>226,218</u>	

Average interest rate on the municipal bonds is 6.6%.

Credit risk: The City of Pelican does not limit its investments to specific ratings. At June 30, 2015, the City's ratings on bonds ranged from A to AA. The ratings were developed by Standards and Poor's and Moody's.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

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

<u>Municipal Bonds</u>	<u>Amount</u>	<u>Percentage Of investment</u>
Columbus-Franklin County Ohio Revenue Bond	\$ 55,176	7.1%
Mesa Arizona Utility System Revenue Bond	\$ 55,480	7.1%
Cypress Fairbanks Texas School District GO Bond	\$ 49,626	6.4 %
Nassau County NY General Improvement Bond	\$ 45,869	5.8%
 <u>Unit Trusts</u>		
Van Kampen Build America Bond Income Trust	\$ 194,764	25%
 <u>Mutual Funds</u>		
American Mutual Fund CI A	\$ 60,562	7.7%
American US Government Securities Fund CI A	\$ 47,271	6%
Capital Income Builder Fund	\$ 79,431	10.2%
Capital Income Builder Fund Securities Fund CI A	\$ 44,149	5.6%
	\$ 47,271	6%

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

B. Receivables, Deferred Inflows of Resources and Unearned Revenues

At June 30, 2015, receivables for the City's individual major fund, the General Fund and other governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	General <u>Fund</u>	Pelican Utility District Special <u>Revenue Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Sales Tax	6,094	-	-	6,094
Charges for services	-	9,424	-	9,424
Gov't Services/ Property Tax	75,917	12,455	-	88,372
Grants	-	-	94,121	94,121
Land Sales	50,734	-	-	50,734
Allowance	(32,681)	(3,000)	-	(35,681)
Total net receivables	<u>100,064</u>	<u>18,879</u>	<u>94,121</u>	<u>213,064</u>

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

	<u>Unearned Revenues</u>	<u>Deferred Inflows</u>
Delinquent property and sales taxes	\$ -	17,932
Unavailable revenue from utility services	-	3,939
Unavailable revenue from land sales	-	50,734
Grant unearned revenue	13,243	-
Prepaid services by customers	<u>7,959</u>	<u>-</u>
Total	\$ <u>21,202</u>	<u>72,605</u>

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

C. Capital Assets

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

	Balance <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 815,536	-	13,136	802,400
Construction in progress	<u>-</u>	<u>45,349</u>	<u>-</u>	<u>45,349</u>
Total capital assets not being depreciated	<u>815,536</u>	<u>45,349</u>	<u>(13,136)</u>	<u>847,749</u>
Building	3,898,991	216,790	-	4,115,781
Vehicles	314,297	-	-	314,297
Equipment	1,174,563	8,635	-	1,183,198
Infrastructure	<u>9,221,940</u>	<u>-</u>	<u>-</u>	<u>9,221,940</u>
Total capital assets being depreciated	<u>14,609,791</u>	<u>225,425</u>	<u>-</u>	<u>14,835,216</u>
Less accumulated depreciation for:				
Building	(2,285,402)	(105,140)	-	(2,390,542)
Vehicles	(297,187)	(3,480)	-	(300,667)
Equipment	(403,522)	(56,933)	-	(460,455)
Infrastructure	<u>(4,233,998)</u>	<u>(286,394)</u>	<u>-</u>	<u>(4,520,392)</u>
Net accumulated depreciation	<u>(7,220,109)</u>	<u>(451,947)</u>	<u>-</u>	<u>(7,672,056)</u>
Net capital assets, being depreciated	<u>7,389,682</u>	<u>(226,522)</u>	<u>-</u>	<u>7,163,160</u>
City capital assets, net	<u>\$ 8,205,218</u>	<u>(181,173)</u>	<u>(13,136)</u>	<u>8,010,909</u>

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

Public safety	\$ 5,833
Public works	363,286
Community services	47,244
Education	27,817
Fuel dock	<u>7,767</u>
Total	<u>\$ 451,947</u>

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

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

	<u>Life in Years</u>
Buildings	30
Vehicles	5
Equipment	5-20
Infrastructure	2-30

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payables are shown as “Due To” and “Due From” in each of the individual funds. These balances at June 30, 2014 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 94,121
Pelican Utility District Special Revenue Fund	General Fund	67,980
Other Governmental Funds	General Fund	<u>13,243</u>
		\$ <u>175,344</u>

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

E. Landfill Closure and Postclosure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for five years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. However, at this time, the study to estimate the ultimate cost of closure and postclosure monitoring has not been completed. As a result, there is no accrual to provide for these costs in the financial statements.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

IV. OTHER INFORMATION

A. Contingent Liabilities

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

The City treats the on-behalf funding, created by AS 39.35.280 and AS 14.25.085, as a special funding situation. AS 39.35.255 established the uniform contribution rate for PERS employers at 22%, with the State of Alaska contributing the difference between the total PERS actuarial required contributions and the amount employers contribute at 22% of covered payroll.

Per GASB 68, a special funding situation is created when a non-employer entity is legally responsible for making contributions directly to the pension plan that is used to provide pensions to the employees of another entity. Under GASB 68, "legally responsible" is determined by State statute. The State of Alaska created AS 39.35.80 and AS 14.25.085, which established the required contributions for the Employer and the State.

The determination of whether the on-behalf payments should be considered a special funding situation is still being debated. If through litigation a decision is made by the courts that the on-behalf payment is not considered a special funding situation, the City's net pension liability for PERS would increase by \$105,290 as of June 30, 2015.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City mitigates significant risk of loss through the acquisition of commercial insurance policies.

C. Employee Retirement Systems and Plans

The City follows *Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees* and *GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. *GASB Codification P20 and GASB Codification P50* establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Retirement Plans. All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan, the systems also administer other post-employment benefit plan.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature.

Summary of Significant Accounting Policies. The financial statements for PERS is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agency for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

Alaska Retiree Healthcare Trust Plan (DB)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Healthcare Reimbursement Arrangement Plan (DC)

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City of Pelican participates in the Alaska Public Employees Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/drb/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 159 employers participating in PERS, including the State of Alaska and 158 political subdivisions and public organizations.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

Funding Policy. In April 2008 the Alaska Legislature passed 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 paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed.

The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2015 the past service rate is 20.90%

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (3.85% pension costs and 2.90% OPEB).

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (12.54 pension costs and 9.46% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on 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 and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 44.03% (25.09% pension and 18.94% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. Note that in 2015, the State legislature appropriated a one-time contribution to the plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 is 42.41% (100% pension costs), which significantly exceeds the statutory amount. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board (GASB)*. Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.90% healthcare discount rate. The current rate is 88.12% (33.05% pension and 55.07% OPEB).

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2015	\$	18,518	13,970	32,488
2014		14,454	15,523	29,977
2013		9,853	9,095	18,948

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

For the year ended June 30, 2015 the State of Alaska contributed \$59,360 or 42.41% (pension cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date of June 30, 2014 to a total of \$1,809, to represent the on-behalf contribution made by the State under the full accrual basis of accounting.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 179,702
State's proportionate share of the net pension liability	<u>105,290</u>
Total	\$ <u>284,992</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014, the City's proportion was .0000038%, which is a decrease of .0000001% from its proportion measured as of June 30, 2013.

As of measurement date June 30, 2014, the City recognized pension expense of \$24,142. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	16,610
Changes in proportion and differences between City contributions and proportionate share of contributions	-	685
City contributions subsequent to the measurement date	<u>18,518</u>	-
Total	\$ <u>18,518</u>	<u>17,295</u>

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

\$18,518 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	\$	4,323
2017		4,324
2018		4,324
2019		4,324
Total	\$	<u>17,295</u>

For the year ended June 30, 2015, the City recognized \$4,324 of amortization of the deferred inflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2014 (latest available) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions were based upon the results of an actuarial experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.77%
International Equity	7.50%
Private Equity	10.86%
Fixed Income	2.05%
Real Estate	3.63%
Absolute Return	4.80%

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the System calculated using the discount rate of 8%, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease</u> <u>(7%)</u>	<u>Current Rate</u> <u>(8%)</u>	<u>1% Increase</u> <u>(9%)</u>
Net pension liability	\$ <u>235,624</u>	<u>179,702</u>	<u>132,611</u>

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.66% for the retiree medical plan (DB), 0.22% for occupational and death and disability benefits (DB) and 3% of employers average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2015 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution – pension (DC)	\$ 3,115	4,984
Other post-employment benefits (DB):		
Retiree medical plan	960	-
Occupational death and disability benefits	136	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	4,115	-
	<u>\$ 8,326</u>	<u>4,984</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement.

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

	<u>Pensions</u>	<u>Other Post-Employment Benefits</u>	<u>Total</u>
2015	\$ 3,115	5,211	8,326
2014	3,021	4,532	7,553
2013	3,633	6,186	9,819

Actual contributions were equal to the annual required contributions.

D. Change in Accounting Principle

As discussed in Note I to the financial statements, the District participates in the Alaska Public Employees' Retirement System (PERS). In 2015, the District adopted the provisions of GASB *Statement No. 68 Accounting and Financial Reporting for Pensions*, and GASB *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:

Opening net position, as originally presented	\$ 9,327,614
Change in accounting principle adjustment	<u>(225,463)</u>
Opening net position, as restated	<u>\$ 9,102,151</u>

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

E. Subsequent Accounting Pronouncements

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

- GASB 72 – *Fair Value Measurement and Application*. Effective for periods beginning after June 15, 2015.
- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Effective for fiscal years beginning after June 15, 2015.
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective for fiscal years beginning after June 15, 2016.
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective for fiscal years beginning after June 15, 2015.
- GASB 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.

Statements 73, 76 and 77 are not expected to have any significant impact on the financial statements of the City.

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

CITY OF PELICAN, ALASKA

Notes to Basic Financial Statements, continued

The objective of GASB Statements No. 74 and 75 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position. Note disclosures and required supplemental information are addressed in these statements. GASB Statement 75 establishes standards for measuring liabilities, deferred inflow and outflows of resources, and expenses/expenditures.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF PELICAN, ALASKA

Schedule of City's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System

June 30, 2015

City's proportion of the net pension liability (asset)	0.0000038%
City's proportionate share of net pension liability (asset)	\$ 179,702
State's proportionate share of the net pension liability (asset) associated with the City	105,290
Total	\$ <u>284,992</u>
City's covered employee payroll	\$ 147,673
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	122%
Plan fiduciary net position as a percentage of the total pension liability	62.37%

Notes to schedule

1. Information presented for 2015 is based upon Plan measurement date June 30, 2014.
2. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

CITY OF PELICAN, ALASKA
 Schedule of City's Contributions
 Public Employees Retirement System
 June 30, 2015

Contractually required contribution	\$ 29,977
Contributions in relation to the contractually required contribution	(29,977)
Contribution deficiency (excess)	<u>-</u>
City's covered-employee payroll	\$ 136,259
Contributions as a percentage of covered employee payroll	22.00%

Notes to schedule

1. Valuation date: June 30, 2013
 2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.
- Methods and assumptions used to determine contribution rates:
3. Actuarial cost method: Entry Age Normal.
 4. Amortization method: Level dollar, closed.
 5. Amortization period: 25 years, layered.
 6. Equivalent single amortization period: 17 years.
 7. Asset valuation method: Actuarial value that smooths investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
 8. Inflation: 3.12% per annum.
 9. Salary increases: Ranges from 6.36% to 4.12% based on service for Peace Officer/Firefighter. Ranges from 9.60% to 3.62% based on age and service for All Others.
 10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
 11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
 12. Mortality: 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality for Peace Officer/Firefighter, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females for pre-termination mortality for All Others and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.
 13. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

CITY OF PELICAN, ALASKA

General Fund

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

Year Ended June 30, 2015

	Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget- Positive <u>(Negative)</u>
Revenues:			
Local sources:			
Taxes:			
Sales tax	\$ 40,000	46,856	6,856
Property tax	61,000	63,088	2,088
Bed tax	4,000	7,408	3,408
Total taxes	<u>105,000</u>	<u>117,352</u>	<u>12,352</u>
Charges for services:			
Harbor electricity	15,000	1,659	(13,341)
Laundromat	3,000	3,792	792
Garbage collection	9,500	10,299	799
Water	18,000	22,570	4,570
Sewer	10,000	9,735	(265)
General storage	9,000	-	(9,000)
Ice machine	45,000	55,077	10,077
Rental income	50,000	71,689	21,689
Boardwalk user fees	500	1,025	525
Moorage	35,000	37,796	2,796
Miscellaneous services	5,000	-	(5,000)
Total charges for services	<u>200,000</u>	<u>213,642</u>	<u>13,642</u>
Interest and investment revenue	<u>60,000</u>	<u>65,517</u>	<u>5,517</u>
Fuel dock income - charges for services	<u>700,000</u>	<u>405,646</u>	<u>(294,354)</u>
Other:			
Penalty and interest	5,000	2,906	(2,094)
Dog license	100	75	(25)
Charter halibut permits	1,500	1,500	-
Community hall income	100	-	(100)
Other income	2,500	56,773	54,273
Total other	<u>9,200</u>	<u>61,254</u>	<u>52,054</u>
Total local sources	<u>1,074,200</u>	<u>863,411</u>	<u>(210,789)</u>
Intergovernmental:			
State of Alaska:			
PERS on-behalf payment	-	59,360	59,360
Grants (Library and clinic)	6,600	9,499	2,899
Fisheries business tax	18,000	8,244	(9,756)
Revenue sharing	102,000	99,959	(2,041)
E-rate	-	31,464	31,464
Total State of Alaska	<u>126,600</u>	<u>208,526</u>	<u>81,926</u>
Federal sources passed through the State of Alaska:			
National forest receipts	38,000	25,136	(12,864)
Payment in lieu of taxes	15,500	15,015	(485)
Total federal sources	<u>53,500</u>	<u>40,151</u>	<u>(13,349)</u>
Total revenues	\$ <u>1,254,300</u>	<u>1,112,088</u>	<u>(142,212)</u>

(continued)

CITY OF PELICAN, ALASKA

General Fund

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

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures:			
Current:			
General government:			
Salaries and employee benefits	\$ 198,000	94,839	103,161
Professional and technical services	67,000	33,687	33,313
Insurance	26,000	19,045	6,955
Travel and per diem	5,000	16,126	(11,126)
Administrative overhead	21,000	-	21,000
Supplies and equipment	10,000	11,177	(1,177)
Gas and oil	9,000	4,383	4,617
Maintenance and repairs	25,000	974	24,026
Utilities	15,000	-	15,000
Contingency fund expenses	3,000	-	3,000
Postage and freight	7,000	6,803	197
Telephone	9,000	5,654	3,346
Membership and dues	4,500	2,896	1,604
Leases and rentals	-	-	-
Bank fees	-	8,103	(8,103)
Interest	13,000	25,879	(12,879)
Miscellaneous	500	858	(358)
Total general government	413,000	230,424	182,576
Fuel dock:			
Salaries and employee benefits	30,000	38,001	(8,001)
Professional fees	250	4,905	(4,655)
Fuel	515,000	333,353	181,647
Fuel taxes	7,500	6,788	712
Packaged goods	10,000	14,505	(4,505)
Supplies and equipment	500	6,933	(6,433)
Utilities	2,000	-	2,000
Maintenance and repairs	300	3,733	(3,433)
Telephone	500	1,143	(643)
Travel and training	100	1,014	(914)
Insurance	-	7,395	(7,395)
Miscellaneous	1,000	5,394	(4,394)
Total fuel dock	567,150	423,164	143,986
Public safety:			
Salaries and employee benefits	-	286	(286)
Professional fees	-	1,454	(1,454)
Gas and oil	1,500	317	1,183
Supplies and equipment	5,000	262	4,738
Utilities	4,500	-	4,500
Maintenance and repairs	3,000	381	2,619
Postage and freight	350	30	320
Travel and training	1,000	625	375
Telephone	1,000	1,233	(233)
Insurance	-	1,949	(1,949)
Miscellaneous	-	113	(113)
Total public safety	16,350	6,650	9,700

CITY OF PELICAN, ALASKA

General Fund

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

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Public works:			
Salaries and employee benefits	\$ 90,000	130,769	(40,769)
Professional and technical services	-	8,452	(8,452)
Administrative overhead	1,500	-	1,500
Travel and per diem	800	444	356
Supplies and equipment	15,000	35,248	(20,248)
Gas and oil	7,000	10,670	(3,670)
Maintenance and repairs	10,000	32,976	(22,976)
Utilities	45,000	-	45,000
Telephone	1,700	1,106	594
Postage and freight	8,000	6,473	1,527
Insurance	-	1,310	(1,310)
Miscellaneous	500	3,011	(2,511)
Total public works	<u>179,500</u>	<u>230,459</u>	<u>(50,959)</u>
Community services:			
Salaries and employee benefits	-	34,006	(34,006)
Professional and technical services	-	815	(815)
Supplies and equipment	-	7,943	(7,943)
Gas and oil	-	4,074	(4,074)
Maintenance and repairs	-	9,528	(9,528)
Utilities	-	3,592	(3,592)
Postage and freight	-	278	(278)
Telephone	-	39,017	(39,017)
Miscellaneous	-	348	(348)
Total community services	<u>-</u>	<u>99,601</u>	<u>(99,601)</u>
Education:			
School district contribution	<u>39,553</u>	<u>39,553</u>	<u>-</u>
Total expenditures	<u>1,215,553</u>	<u>1,029,851</u>	<u>185,702</u>
Excess of revenues over expenditures	<u>38,747</u>	<u>82,237</u>	<u>43,490</u>
Other financing sources (uses):			
Proceeds from principal payments of land sales notes receivable	-	13,881	13,881
Proceeds from sale of assets	-	13,136	13,136
Net other financing sources (uses)	<u>-</u>	<u>27,017</u>	<u>27,017</u>
Net change in fund balance	<u>\$ 38,747</u>	109,254	<u>70,507</u>
Fund balance, beginning of year		<u>956,312</u>	
Fund balance, end of year		<u>\$ 1,065,566</u>	

CITY OF PELICAN, ALASKA

Pelican Utility District Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget- Positive <u>(Negative)</u>
Revenues:			
State	\$ -	72,313	72,313
Local sources:			
Charges for services	-	165,566	165,566
Total revenue	<u>-</u>	<u>237,879</u>	<u>237,879</u>
Expenditures:			
Community services:			
Salaries and employee benefits	-	120,288	(120,288)
Gas and oil	-	26,315	(26,315)
Insurance	-	11,488	(11,488)
Professional and technical services	-	2,351	(2,351)
Maintenance and repair	-	19,730	(19,730)
Materials and supplies	-	14,308	(14,308)
Postage and freight	-	2,364	(2,364)
Telephone	-	1,393	(1,393)
Other	-	5,676	(5,676)
Total expenditures	<u>-</u>	<u>203,913</u>	<u>(203,913)</u>
Excess of revenues over expenditures	<u>\$ -</u>	33,966	<u>33,966</u>
Fund balance, beginning of year		<u>74,107</u>	
Fund balance, end of year		<u>\$ 108,073</u>	

CITY OF PELICAN, ALASKA

Other Governmental Funds

Combining Balance Sheet

June 30, 2015

<u>Assets</u>	<u>Special Revenue Funds</u>			<u>Capital Project Fund</u>	<u>Total Other Governmental Funds</u>
	<u>Building Maintenance DM-092</u>	<u>SCASD Program</u>	<u>Total Special Revenue Funds</u>	<u>Building Maintenance 15-DM-134</u>	
Receivables:					
Federal	\$ -	89,925	89,925	-	89,925
State	-	-	-	4,196	4,196
Due from general fund	13,243	-	13,243	-	13,243
Total Assets	\$ <u>13,243</u>	<u>89,925</u>	<u>103,168</u>	<u>4,196</u>	<u>107,364</u>
<u>Liabilities and Fund Balances</u>					
Due to general fund	-	89,925	89,925	4,196	94,121
Unearned revenue	13,243	-	13,243	-	13,243
Total liabilities	<u>13,243</u>	<u>89,925</u>	<u>103,168</u>	<u>4,196</u>	<u>107,364</u>
Fund balances	-	-	-	-	-
Total liabilities and fund balances	\$ <u>13,243</u>	<u>89,925</u>	<u>103,168</u>	<u>4,196</u>	<u>107,364</u>

CITY OF PELICAN, ALASKA, ALASKA

Other Governmental Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year Ended June 30, 2015

	Special Revenue Funds				Total Special Revenue Fund	Capital Project Funds		Total Capital Project Funds	Total Other Governmental Funds
	Building Maintenance 12-DM-135	Building Maintenance 13-DM-092	Bohemia Forest Service Project	SCASD Program		Fuel Dock Repair 15-RR-046	Ice Maker		
Revenues:									
Intergovernmental:									
State of Alaska	\$ 2,300	11,757	-	-	14,057	2,244	-	2,244	16,301
Federal sources	-	-	25,694	82,621	108,315	-	43,105	43,105	151,420
Total revenues	<u>2,300</u>	<u>11,757</u>	<u>25,694</u>	<u>82,621</u>	<u>122,372</u>	<u>2,244</u>	<u>43,105</u>	<u>45,349</u>	<u>167,721</u>
Expenditures:									
Current:									
Economic development	2,300	11,757	-	-	14,057	-	-	-	14,057
Community services	-	-	25,694	82,621	108,315	-	-	-	108,315
Capital outlay	-	-	-	-	-	2,244	43,105	45,349	45,349
Total expenditures	<u>2,300</u>	<u>11,757</u>	<u>25,694</u>	<u>82,621</u>	<u>122,372</u>	<u>2,244</u>	<u>43,105</u>	<u>45,349</u>	<u>167,721</u>
Excess of revenues over expenditures	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF PELICAN, ALASKA

Building Maintenance - 12-DM-135 Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Prior Years	Actual Current Year	Total	Variance with Final Budget- Positive (Negative)
Revenues:					
Intergovernmental:					
State of Alaska	\$ 25,000	22,700	2,300	22,700	(2,300)
Expenditures:					
Economic development:					
Maintenance and repair	25,000	22,700	2,300	22,700	2,300
Excess of revenues over expenditures	\$ -	-	-	-	-
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

CITY OF PELICAN, ALASKA

Building Maintenance - 13-DM-092 Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
State of Alaska	\$ 25,000	11,757	(13,243)
Expenditures:			
Economic development:			
Maintenance and repairs	25,000	11,757	13,243
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

CITY OF PELICAN, ALASKA

Bohemia Forest Service Project Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal sources:			
USDA, Forest service	\$ 31,915	25,694	(6,221)
Expenditures:			
Community services:			
Salaries and employee benefits	11,445	1,382	10,063
Supplies and materials	20,470	8,635	11,835
Contractual	-	14,867	(14,867)
Other	-	810	(810)
Total community services	<u>31,915</u>	<u>25,694</u>	<u>6,221</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>
Fund balance, beginning of year		-	
Fund balance, end of year		\$ <u>-</u>	

CITY OF PELICAN, ALASKA

SCASD Program Special Revenue Fund

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

Year Ended June 30, 2015

	Final Budgeted <u>Amounts</u>	Prior <u>Years</u>	Actual Current <u>Year</u>	<u>Total</u>	Variance with Final Budget- Positive <u>(Negative)</u>
Revenues:					
Intergovernmental:					
Federal sources passed through State of Alaska	\$ <u>300,000</u>	<u>7,304</u>	<u>82,621</u>	<u>89,925</u>	<u>(210,075)</u>
Expenditures:					
Community services:					
Travel		476	4,183	4,659	
Advertising		6,828	78,438	85,266	
Total expenditures	<u>300,000</u>	<u>7,304</u>	<u>82,621</u>	<u>89,925</u>	<u>210,075</u>
Excess of revenues over expenditures	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			\$ <u>-</u>		

CITY OF PELICAN, ALASKA

Fuel Dock Repair - 15-RR-046 Capital Project Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance

Year Ended June 30, 2015

Revenues:		
Intergovernmental:		
State of Alaska - Department of Commerce, Community, and Economic Development	\$	<u>2,244</u>
Expenditures:		
Capital outlay:		
Professional and technical services		<u>2,244</u>
Excess of revenues over expenditures		-
Fund balance, beginning of year		<u>-</u>
Fund balance, end of year	\$	<u><u>-</u></u>

CITY OF PELICAN, ALASKA

Ice Maker Capital Project Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance

Year Ended June 30, 2015

Revenues:	
Intergovernmental:	
State of Alaska - Department of Commerce, Community, and Economic Development	\$ <u>43,105</u>
Expenditures:	
Capital outlay:	
Supplies and materials	30,012
Freight	1,553
Professional and technical services	8,225
Travel and training	<u>3,315</u>
Total capital outlay	<u>43,105</u>
Excess of revenues over expenditures	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>

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 Pelican
Pelican, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Pelican, Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Pelican, Alaska's basic financial statements and have issued our report thereon dated January 5, 2016.

Internal Control over Financial Reporting

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

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. 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.

Members of the City Council
City of Pelican

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as Finding 2015-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pelican, 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 Pelican, Alaska's Response to Findings

City of Pelican, Alaska's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. City of Pelican, Alaska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska
January 5, 2015

CITY OF PELICAN, ALASKA

Schedule of Findings

June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Significant deficiency(ies) identified?	<u> X </u>	Yes	<u> </u>	No
Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No

Noncompliance material to financial statements? Yes X No

Section II - Financial Statement Findings

Finding 2015-001
Significant Deficiency

Internal Control over Credit Cards

Condition: During our review of the credit card activity it was determined that reconciliations between the card activity and the general ledger were not being completed during the year.

Criteria: Proper internal controls require the reconciliations between the card's activity and the general ledger to be completed on a monthly basis. The reconciliation and support of the activity should be reviewed and approved in a timely manner.

Context: During our testwork over credit card purchases we discovered that credit card activity was not entered into the general ledger throughout the year.

Cause: Lack of internal controls over credit cards.

Effect: The override of internal controls creates a potential for misstatement of the financial statements. Expenses and liabilities for the City were understated, before adjustment, in the amount of approximately \$45,000.

Recommendation: Credit card expenditures should be reviewed and approved by a qualifying individual, such as a city controller or a finance director, to ensure each transaction is properly coded and allowable per laws and regulations. Transactions should be accompanied by proper approved supporting documents. The credit card activity should be reconciled back to the general ledger on a monthly basis.

Management's Response: Management concurs with the finding.

Section IV – Summary of Prior Year Audit Findings

Financial Statement Findings

Finding 2014-01 **Internal Control over Utility Billing**
Material Weakness

Condition: Erroneous utility billing due to incorrect application of Power Cost Equalization (PCE) rate adjustment and incorrect calculation of kilowatt hours used.

Status: This finding has been resolved.

Finding 14-02 **Internal Control over Timely Submission of Reimbursement Forms**
Material Weakness

Condition: Failure to submit the required form to AEA for reimbursement of PCE adjustments.

Status: This finding has been resolved.

Finding 2014-03 **Internal Control over Reporting/Filing of Tax Return**
Material Weakness

Condition: Failure to complete and file 941 quarterly tax return.

Status: This finding has been resolved.

Finding 2014-04 **Internal Control over Payroll**
Significant deficiency

Condition: During test work, we found two instances of overpayment of wages and an instance wherein an incorrect pay rate was used.

Status: This finding has been resolved.

Finding 2014-05 **Internal Control over Bank Reconciliation**
Significant deficiency

Condition: Failure to reconcile bank accounts for the last quarter of the fiscal year 2014.

Status: This finding has been resolved.

CITY OF PELICAN, ALASKA

Corrective Action Plan

Year Ended June 30, 2015

Finding 2015-001

Internal Control over Credit Cards

Name of Contact Person:

Patricia Phillips

Corrective Action:

Monthly reconciling of credit card statement in Quickbooks handled by City Clerk.

Proposed Completion Date:

Completed. Started monthly reconciliations July 1, 2015.