

City of Port Lions, Alaska

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

City of Port Lions, Alaska

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City of Port Lions, Alaska

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Independent Auditor's Report

Honorable Mayor and City Council
City of Port Lions, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lions, 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 the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Lions, Alaska, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 through 27 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit for the year ended June 30, 2015 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of State Financial Assistance and the individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2015 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2015.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Port Lions as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 9, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2014 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the City of Port Lions' 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 Port Lions' internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
December 21, 2015

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Basic Financial Statements

City of Port Lions, Alaska
Statement of Net Position

<i>June 30, 2015</i>	Governmental Activities	Business- type Activities	Total
Assets			
Cash and investments	\$ 90,920	\$ 1,457,056	\$ 1,547,976
Prepaid expenses	5,896	-	5,896
Receivables	24,363	6,200	30,563
Land and construction in progress	3,733,716	-	3,733,716
Other capital assets, net of accumulated depreciation	3,197,946	19,550,251	22,748,197
Total Assets	\$ 7,052,841	\$ 21,013,507	\$ 28,066,348
Liabilities			
Accounts payable	\$ 2,833	\$ -	\$ 2,833
Accrued payroll and related liabilities	8,519	896	9,415
Unearned revenue	8,863	5,351	14,214
Accrued leave	433	1,205	1,638
Total Liabilities	20,648	7,452	28,100
Net Position			
Net investment in capital assets	6,931,662	19,550,251	26,481,913
Unrestricted	100,531	1,455,804	1,556,335
Total Net Position	7,032,193	21,006,055	28,038,248
Total Liabilities and Net Position	\$ 7,052,841	\$ 21,013,507	\$ 28,066,348

See accompanying notes to basic financial statements.

City of Port Lions, Alaska

Statement of Activities

Year Ended June 30, 2015	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 167,923	\$ 50,540	\$ 1,195	\$ -	\$ (116,188)	\$ -	\$ (116,188)
Library	19,255	-	11,084	-	(8,171)	-	(8,171)
Public safety	24,632	-	-	-	(24,632)	-	(24,632)
Public works	124,177	-	-	62,824	(61,353)	-	(61,353)
Water	180,944	57,438	-	-	(123,506)	-	(123,506)
Sewer	28,552	23,299	-	-	(5,253)	-	(5,253)
Refuse	7,682	16,795	-	-	9,113	-	9,113
Total governmental activities	553,165	148,072	12,279	62,824	(329,990)	-	(329,990)
Business-type Activities - harbor	208,733	58,623	-	4,693,976	-	4,543,866	4,543,866
Total	\$ 761,898	\$ 206,695	\$ 12,279	\$ 4,756,800	(329,990)	4,543,866	4,213,876
General Revenues							
Grants not restricted to							
specific purposes							
					122,162	-	122,162
					4,006	-	4,006
					(486)	(1,318)	(1,804)
					2,400	-	2,400
					24,386	(24,386)	-
Total General Revenues and Transfers							
					152,468	(25,704)	126,764
Change in net position					(177,522)	4,518,162	4,340,640
Beginning net position					7,209,715	16,487,893	23,697,608
Ending net position					\$ 7,032,193	\$ 21,006,055	\$ 28,038,248

See accompanying notes to basic financial statements.

City of Port Lions, Alaska

Governmental Funds
Balance Sheet

	Major Funds				Total Governmental Funds
	General	Water, Sewer and Refuse Special Revenue	Reservoir Repair Capital Project		
<i>June 30, 2015</i>					
Assets					
Cash and investments	\$ 48,882	\$ 42,038	\$ -	\$ 90,920	
Accounts receivable	1,989	17,125	-	19,114	
Grants receivable	-	-	5,249	5,249	
Prepaid items	5,896	-	-	5,896	
Due from other funds	3,279	-	-	3,279	
Total Assets	\$ 60,046	\$ 59,163	\$ 5,249	\$ 124,458	
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,833	\$ -	\$ -	\$ 2,833	
Accrued payroll and related liabilities	5,323	1,226	1,970	8,519	
Due to other funds	-	-	3,279	3,279	
Unearned revenue	1,055	7,808	-	8,863	
Total Liabilities	9,211	9,034	5,249	23,494	
Fund Balances					
Non spendable - prepaid items	5,896	-	-	5,896	
Assigned - utilities	-	50,129	-	50,129	
Unassigned	44,939	-	-	44,939	
Total Fund Balances	50,835	50,129	-	100,964	
Total Liabilities and Fund Balances	\$ 60,046	\$ 59,163	\$ 5,249	\$ 124,458	

See accompanying notes to basic financial statements.

City of Port Lions, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2015

Total fund balances for governmental funds	\$	100,964
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:

Land	\$	3,733,716	
Buildings		3,192,809	
Infrastructure		99,910	
Plant		1,000,000	
Equipment		236,697	
Vehicles		218,076	
		<hr/>	
Total capital assets		8,481,208	
Less accumulated depreciation		(1,549,546)	
		<hr/>	
Total capital assets, net of accumulated depreciation			6,931,662

Accrued leave liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.		<hr/>	(433)
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Total Net Position of Governmental Activities		<hr/>	\$ 7,032,193
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See accompanying notes to basic financial statements.

City of Port Lions, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2015	Major Funds			Total Governmental Funds
	General	Water, Sewer and Refuse Special Revenue	Reservoir Repair Capital Project	
Revenues				
Transient taxes	\$ 4,006	\$ -	\$ -	\$ 4,006
Other local sources	-	-	2,400	2,400
Intergovernmental	134,441	-	62,824	197,265
Investment income (loss)	(486)	-	-	(486)
Charges for services	50,540	97,532	-	148,072
Total Revenues	188,501	97,532	65,224	351,257
Expenditures				
Current:				
General government	139,675	-	-	139,675
Library	19,255	-	-	19,255
Public safety	8,644	-	-	8,644
Public works	111,071	-	-	111,071
Water	-	53,932	65,760	119,692
Sewer	-	9,802	-	9,802
Refuse	-	7,682	-	7,682
Capital outlay	73,000	-	-	73,000
Total Expenditures	351,645	71,416	65,760	488,821
Excess of revenues over (under) expenditures	(163,144)	26,116	(536)	(137,564)
Other Financing Sources (Uses)				
Transfers in	24,386	-	3,007	27,393
Transfers out	(3,007)	-	-	(3,007)
Net Other Financing Sources (Uses)	21,379	-	3,007	24,386
Net change in fund balances	(141,765)	26,116	2,471	(113,178)
Beginning fund balances (deficit)	192,600	24,013	(2,471)	214,142
Ending fund balances	\$ 50,835	\$ 50,129	\$ -	\$ 100,964

See accompanying notes to basic financial statements.

City of Port Lions, Alaska
Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (113,178)

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

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation expense (\$139,533) exceeds capital outlays (\$73,000). (66,533)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued leave. 2,189

Change in Net Position of Governmental Activities **\$ (177,522)**

See accompanying notes to basic financial statements.

City of Port Lions, Alaska

Harbor Enterprise Fund
Statement of Net Position*June 30, 2015***Assets****Current Assets**

Cash and investments	\$ 1,457,056
Accounts receivable	6,200

Total Current Assets	1,463,256
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Capital assets, net of accumulated depreciation	19,550,251
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Total Assets	\$ 21,013,507
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Liabilities and Net Position**Current Liabilities**

Accrued payroll and related liabilities	\$ 896
Accrued leave	1,205
Unearned revenue	5,351

Total Current Liabilities	7,452
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Net Position

Net investment in capital assets	19,550,251
Unrestricted	1,455,804

Total Net Position	21,006,055
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Total Liabilities and Net Position	\$ 21,013,507
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See accompanying notes to basic financial statements.

City of Port Lions, Alaska
Harbor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

Operating Revenues

Charges for services:

Moorage, gridiron, and warehouse	\$ 39,448
Ferry fees	19,050
Rental income	125

Total Operating Revenues 58,623

Operating Expenses

Salaries and employee benefits	43,140
Fuel	503
Utilities	6,817
Insurance	9,014
Supplies	178
Depreciation	146,622
Administrative expenses	1,800
Other expenses	659

Total Operating Expenses 208,733

Loss from operations (150,110)

Nonoperating Revenues (Expenses)

Dividends and interest	17,396
Investment service fees	(18,714)

Net Nonoperating Revenues (Expenses) (1,318)

Loss before transfers and capital contributions (151,428)

Capital contributions 4,693,976

Transfers out (24,386)

Change in net position 4,518,162

Beginning net position 16,487,893

Ending net position \$ 21,006,055

See accompanying notes to basic financial statements.

City of Port Lions, Alaska

Harbor Enterprise Fund
Statement of Cash Flows

Year Ended June 30, 2015

Cash Flows for Operating Activities	
Receipts from customers and users	\$ 49,108
Payments to suppliers	(18,971)
Payments to employees	(43,102)
Net cash flows for operating activities	(12,965)
Cash Flows from Noncapital Financing Activities	
Transfers out	(24,386)
Cash Flows for Capital and Related Financing Activities	
Purchase and construction of capital assets	(5,496,988)
Capital contributions received	5,547,846
Net cash flows from capital and related financing activities	50,858
Cash Flows for Investing Activities	
Investment income received, net of fees	(1,318)
Net increase in cash and investments	12,189
Beginning cash and investments	1,444,867
Ending cash and investments	\$ 1,457,056
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities	
Loss from operations	\$ (150,110)
Adjustments to reconcile loss from operations to net cash flows for operating activities:	
Depreciation	146,622
Increase in assets - accounts receivable	(569)
Increase (decrease) in liabilities:	
Accrued payroll and related liabilities	896
Accrued leave	(858)
Unearned revenue	(8,946)
Net Cash Flows for Operating Activities	\$ (12,965)

See accompanying notes to basic financial statements.

City of Port Lions, Alaska
Notes to Basis Financial Statements
Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Port Lions, Alaska (the City) was incorporated in 1966 as a second class city and operates under a Council - Mayor form of government. The City provides a variety of services including water, sewer, refuse, boat harbor, community service and general administrative services.

The basic principle used in determining the scope of the entity for financial reporting purposes is the exercise of oversight responsibility over other governmental units by the City's elected officials. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. No other entities exist for which the City has oversight responsibility.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide and enterprise fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days after year end.

City of Port Lions, Alaska

Notes to Basic Financial Statements

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only to the extent they have matured.

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

The City reports the following major funds:

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

The *Water, Sewer and Refuse Special Revenue Fund* accounts for water, sewer and refuse revenues and expenditures.

The *Reservoir Repair Capital Project Fund* accounts for all revenues and expenditures related to the repair of the City's reservoir.

The *Harbor Enterprise Fund* accounts for harbor related revenues and expenses.

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. In addition, general revenues include all investment income, and State of Alaska entitlement revenues.

The Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with its principal operations. Specifically, charges for services are generally considered operating revenue. Operating expenses include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating.

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

City of Port Lions, Alaska

Notes to Basic Financial Statements

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

	Years
Buildings and improvements	15-75
Infrastructure	10-50
Plant	10-40
Equipment	5-30
Vehicles	5-20

Grants and Other Intergovernmental Revenues

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

Accrued Leave

The City allows employees to accumulate earned but unused vacation benefits. All accrued leave is accrued when incurred in the government-wide and Enterprise Fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Fund Balances

The governmental funds financial statements report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City of Port Lions, Alaska

Notes to Basic Financial Statements

Assigned fund balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

Net Position

Net position represents the difference between assets and liabilities on the government-wide and Enterprise Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowings, if any, used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unearned Grant Revenue

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

2. Stewardship, Compliance and Accountability

Budgetary Information

The annual City operating budget is prepared by management. The budget is submitted to the City Council for review and approval. Legal enactment of the budget is obtained through passage of a City ordinance. Amendments to the budget can occur any time during the fiscal year through City Council action.

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

1. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
2. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the City Council through ordinance.

City of Port Lions, Alaska
Notes to Basic Financial Statements

3. Cash and Investments

The City maintains cash and investment accounts in a central treasury for use by each fund, as well as certain individual accounts. Balances at June 30, 2015 were as follows:

	Bank Deposits	Investments	Total
Governmental Funds	\$ 19,876	\$ 71,044	\$ 90,920
Harbor Enterprise Fund	-	1,457,056	1,457,056
Total Cash and Investments	\$ 19,876	\$ 1,528,100	\$ 1,547,976

The City maintains cash balances at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2015, deposits were fully insured. The City places its deposits in a high credit quality commercial bank to mitigate credit risk.

Investment Policy

The City does not have an investment policy.

Interest Rate Risk

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

Investments are recorded at fair value and consist of the following amounts at June 30, 2015:

	Fair Value
Investment Type	
Money market	\$ 29,136
Common stocks	202,449
ETFs & CEFs	219,419
Mutual funds	1,077,096
Total Investments	\$ 1,528,100

Fair value is based on the quoted market prices.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The City's investments are held through an investment broker. The broker is a member of the Securities Investor Protection Corporation (SIPC) established by Congress in 1970. If the broker-dealer fails, SIPC funds are available to make up any shortfall in client assets that the broker-dealer was required to maintain up to a maximum of \$500,000 for securities, and inclusive of up to \$250,000 of cash. The broker has purchased separate insurance protection from Lloyd's of London and various underwriters that provide additional coverage "Excess of SIPC". There is no per-client limit on securities and \$1.9 million per-client limit for the cash portion of any remaining shortfall.

City of Port Lions, Alaska

Notes to Basic Financial Statements

4. Capital Assets

The following capital assets activity was recorded by the City for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,733,716	\$ -	\$ -	\$ 3,733,716
<i>Capital assets being depreciated:</i>				
Buildings	3,192,809	-	-	3,192,809
Infrastructure	99,910	-	-	99,910
Plant	1,000,000	-	-	1,000,000
Equipment	163,697	73,000	-	236,697
Vehicles	218,076	-	-	218,076
Total assets being depreciated	4,674,492	73,000	-	4,747,492
<i>Less accumulated depreciation for:</i>				
Buildings	1,045,089	79,820	-	1,124,909
Infrastructure	13,844	3,922	-	17,766
Plant	100,000	25,000	-	125,000
Equipment	98,065	13,320	-	111,385
Vehicles	153,015	17,471	-	170,486
Total accumulated depreciation	1,410,013	139,533	-	1,549,546
Total capital assets being depreciated, net	3,264,479	(66,533)	-	3,197,946
Governmental Activity Capital Assets, Net	\$ 6,998,195	\$ (66,533)	\$ -	\$ 6,931,662

City of Port Lions, Alaska

Notes to Basic Financial Statements

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Construction in progress - harbor	\$ 10,966,337	\$ 4,697,901	\$ (15,664,238)	\$ -
<i>Capital assets being depreciated:</i>				
Infrastructure	4,227,263	15,664,238	-	19,891,501
Buildings	215,537	-	-	215,537
Equipment	6,500	-	-	6,500
Total assets being depreciated	4,449,300	15,664,238	-	20,113,538
Less accumulated depreciation for:				
Infrastructure	281,819	140,909	-	422,728
Buildings	129,321	5,388	-	134,709
Equipment	5,525	325	-	5,850
Total accumulated depreciation	416,665	146,622	-	563,287
Total capital assets being depreciated, net	4,032,635	15,517,616	-	3,886,013
Business-type Activity Capital Assets, Net	\$ 14,998,972	\$ 20,215,517	\$ (15,664,238)	\$ 19,550,251

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

Governmental Activities

General government	\$ 28,500
Public safety	15,988
Public works	13,795
Water	62,500
Sewer	18,750

Total Governmental Activities Depreciation	\$ 139,533
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Business-type Activities

Harbor	\$ 146,622
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City of Port Lions, Alaska
Notes to Basic Financial Statements

5. Interfund Receivables, Payables, and Transfers

A schedule of interfund payables as of June 30, 2015, follows:

Due to Other Funds	
Due to the General Fund from the Reservoir Repair Capital Project Fund for short term capital advance	\$ 3,279

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

Transfers	
From Harbor Enterprise Fund to General Fund	\$ 24,386
From General Fund to Reservoir Repair Capital Project Fund	3,007
Total Transfers to other Funds	\$ 27,393

6. Accrued Leave

The following is a schedule of changes in accrued leave for the year ended June 30, 2015. The entire balance is considered payable within one year.

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due in One Year
Governmental activities	\$ 2,622	\$ 4,997	\$ 7,186	\$ 433	\$ 433
Business-type activities	2,063	3,894	4,752	1,205	1,205
Total Accrued Leave	\$ 4,685	\$ 8,891	\$ 11,938	\$ 1,638	\$ 1,638

7. Operating Leases

The City leases property and equipment within the City. The following is a schedule of future minimum rental payments required under operating leases that have non-cancelable lease terms in excess of one year as of June 30, 2015:

<i>Year Ending June 30,</i>	
2016	\$ 7,800
2017	4,200
2018	3,000
2019	3,000
2020	3,000

8. Related Party Transactions

Due to the population size and geography of the City, it routinely engages in various transactions with related parties including employees, council members, the local corporation, and/or the local village council. These transactions tend to be in the normal course of business and are structured as arms-length transactions at fair market value cost.

City of Port Lions, Alaska

Notes to Basic Financial Statements

9. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City is a member of Alaska Municipal League Joint Insurance Association (AMLJIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, public officials and employees' liability, law enforcement professional liability and workers' compensation. The City has no coverage for potential losses from environmental damages. AMLJIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2015. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years. The City has had no claims in excess of coverage limits for the last three years.

10. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be nominal.

11. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements.

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

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

City of Port Lions, Alaska

Notes to Basic Financial Statements

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

Required Supplementary Information

City of Port Lions, Alaska

General Fund

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

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Transient taxes	\$ 6,000	\$ 6,000	\$ 4,006	\$ (1,994)
Intergovernmental	142,100	130,372	134,441	4,069
Investment income (loss)	-	-	(486)	(486)
Other	46,200	54,258	50,540	(3,718)
Total Revenues	194,300	190,630	188,501	(2,129)
Expenditures				
General government	127,942	138,151	139,675	(1,524)
Library	17,958	17,658	19,255	(1,597)
Public safety	12,558	11,350	8,644	2,706
Public works	106,264	109,514	111,071	(1,557)
Capital outlay	-	74,650	73,000	1,650
Total Expenditures	264,722	351,323	351,645	(322)
Excess of revenues over (under) expenditures	(70,422)	(160,693)	(163,144)	(2,451)
Other Financing Sources (Uses)				
Transfers in	27,096	101,386	24,386	(77,000)
Transfers out	-	-	(3,007)	(3,007)
Net Other, Financing Sources (Uses)	27,096	101,386	21,379	(80,007)
Net change in fund balance	<u>\$ (43,326)</u>	<u>\$ (59,307)</u>	<u>(141,765)</u>	<u>\$ (82,458)</u>
Beginning fund balance			<u>192,600</u>	
Ending fund balance			<u>\$ 50,835</u>	

See accompanying notes to required supplementary information.

City of Port Lions, Alaska

Water, Sewer and Refuse Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues - charges for services	\$ 94,000	\$ 99,596	\$ 97,532	\$ (2,064)
Expenditures				
Water	70,765	68,215	53,932	14,283
Sewer	7,000	6,800	9,802	(3,002)
Refuse	5,501	8,030	7,682	348
Total Expenditures	83,266	83,045	71,416	11,629
Net change in fund balance	<u>\$ 10,734</u>	<u>\$ 16,551</u>	26,116	<u>\$ 9,565</u>
Beginning fund balance			<u>24,013</u>	
Ending fund balance			<u>\$ 50,129</u>	

See accompanying notes to required supplementary information.

City of Port Lions, Alaska

Notes to Required Supplementary Information Year Ended June 30, 2015

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

The General Fund and Water, Sewer and Refuse Special Revenue Fund Budgetary Comparison Schedules are presented on the modified accrual basis of accounting. In accordance with required supplementary information criteria, the original and final budget comparison statements are presented only for the General Fund and each Major Special Revenue Fund with a legally adopted budget.

The FY15 original budget was adopted on May 8, 2014 and was amended once during the year. The final amended budget was adopted on June 11, 2015.

Supplementary Information

City of Port Lions, Alaska

Exhibit E-1

General Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 48,882	\$ 190,856
Accounts receivable	1,989	8,624
Prepaid items	5,896	-
Due from other funds	3,279	4,422
Total Assets	\$ 60,046	\$ 203,902
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 2,833	\$ 3,757
Accrued payroll and related liabilities	5,323	7,545
Unearned revenue	1,055	-
Total Liabilities	9,211	11,302
Fund Balance		
Non spendable - prepaid items	5,896	-
Unassigned	44,939	192,600
Total Fund Balance	50,835	192,600
Total Liabilities and Fund Balance	\$ 60,046	\$ 203,902

City of Port Lions, Alaska

General Fund

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Revenues				
Transient taxes	\$ 6,000	\$ 4,006	\$ (1,994)	\$ 9,286
Intergovernmental:				
Revenue sharing	105,146	105,146	-	105,676
Raw fish tax	15,126	17,016	1,890	25,046
Library grants	9,600	11,084	1,484	20,467
Other grants	500	1,195	695	580
Total intergovernmental	130,372	134,441	4,069	151,769
Investment income (loss)	-	(486)	(486)	15,375
Other revenues:				
Rental income	27,022	20,825	(6,197)	16,704
Other charges for services	16,164	19,611	3,447	20,249
Other miscellaneous revenues	11,072	10,104	(968)	4,309
Total other revenues	54,258	50,540	(3,718)	41,262
Total Revenues	190,630	188,501	(2,129)	217,692
Expenditures				
General government:				
Administration:				
Salaries and employee benefits	50,044	52,550	(2,506)	58,760
Insurance	36,237	33,900	2,337	34,535
Facility costs	3,005	2,712	293	4,248
Materials and supplies	4,600	5,690	(1,090)	7,982
Donations	-	1,240	(1,240)	481
Dues and subscriptions	1,000	1,153	(153)	1,549
Travel	1,000	786	214	1,655
Fuel	4,000	3,760	240	3,761
Professional services	22,325	24,393	(2,068)	26,132
Other	8,340	7,441	899	8,821
Total administration	130,551	133,625	(3,074)	147,924

City of Port Lions, Alaska

General Fund

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

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Council:				
Stipends	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Dues and subscriptions	100	50	50	50
Travel	1,500	-	1,500	-
Total council	7,600	6,050	1,550	6,050
Total general government	138,151	139,675	(1,524)	153,974
Library:				
Salaries and employee benefits	8,658	12,216	(3,558)	8,320
Facility costs	1,300	2,002	(702)	1,345
Materials and supplies	4,050	2,513	1,537	3,821
Travel	800	-	800	-
Fuel	1,750	1,645	105	2,327
Dues and subscriptions	550	537	13	30
Other	550	342	208	1,174
Total library	17,658	19,255	(1,597)	17,017
Public safety:				
Insurance	-	-	-	1,358
Facility costs	7,700	3,188	4,512	2,891
Fuel	3,400	4,936	(1,536)	5,486
Materials and supplies	100	97	3	272
Other	150	423	(273)	-
Total public safety	11,350	8,644	2,706	10,007
Public works:				
Salaries and employee benefits	56,610	59,266	(2,656)	53,779
Insurance	18,804	17,345	1,459	18,069
Facility costs	5,800	6,039	(239)	6,160
Materials and supplies	1,150	745	405	4,508
Travel	800	166	634	895
Fuel	11,500	12,555	(1,055)	13,062
Equipment	11,750	12,959	(1,209)	-
Other	3,100	1,996	1,104	2,250
Total public works	109,514	111,071	(1,557)	98,723

City of Port Lions, Alaska

General Fund

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works - capital outlay	\$ 74,650	\$ 73,000	\$ 1,650	\$ 12,500
Total Expenditures	351,323	351,645	(322)	292,221
Excess of revenues over (under) expenditures	(160,693)	(163,144)	(2,451)	(74,529)
Other Financing Sources (Uses)				
Transfers in	101,386	24,386	(77,000)	51,950
Transfers out	-	(3,007)	(3,007)	-
Net Other Financing Sources (Uses)	101,386	21,379	(80,007)	51,950
Net change in fund balance	<u>\$ (59,307)</u>	<u>(141,765)</u>	<u>\$ (82,458)</u>	<u>(22,579)</u>
Beginning fund balance		<u>192,600</u>		<u>215,179</u>
Ending fund balance		<u>\$ 50,835</u>		<u>\$ 192,600</u>

City of Port Lions, Alaska
Water, Sewer and Refuse Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 42,038	\$ 16,570
Accounts receivable	17,125	7,584
Total Assets	\$ 59,163	\$ 24,154
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 141
Accrued payroll and related liabilities	1,226	-
Unearned revenue	7,808	-
Total Liabilities	9,034	141
Fund Balance - assigned - utilities	50,129	24,013
Total Liabilities and Fund Balance	\$ 59,163	\$ 24,154

City of Port Lions, Alaska
Water, Sewer and Refuse Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended June 30,	2015			2014
	Budget	Actual	Variance	Actual
Revenues				
Charges for services:				
Water sales	\$ 59,000	\$ 57,438	\$ (1,562)	\$ 57,960
Sewer charges	23,000	23,299	299	22,973
Refuse charges	17,596	16,795	(801)	15,558
Total Revenues	99,596	97,532	(2,064)	96,491
Expenditures				
Water:				
Salaries and employee benefits	38,349	37,058	1,291	35,627
Supplies	4,325	333	3,992	239
Fuel	6,000	2,270	3,730	5,589
Insurance	7,541	3,029	4,512	5,636
Utilities	1,000	1,701	(701)	1,333
Equipment	1,000	1,097	(97)	11,460
Repairs and maintenance	2,000	692	1,308	1,938
Administrative	500	654	(154)	-
Other	7,500	7,098	402	4,731
Total water	68,215	53,932	14,283	66,553
Sewer:				
Insurance	-	-	-	1,718
Utilities	3,800	6,956	(3,156)	5,583
Repairs and maintenance	-	-	-	1,732
Administrative	3,000	2,846	154	2,846
Other	-	-	-	780
Total sewer	6,800	9,802	(3,002)	12,659
Refuse:				
Salaries and employee benefits	4,995	4,720	275	4,356
Supplies	100	-	100	165
Fuel	150	213	(63)	120
Insurance	885	884	1	410
Utilities	200	180	20	195
Repairs and maintenance	500	446	54	40
Administrative	1,000	1,000	-	390
Other	200	239	(39)	82
Total refuse	8,030	7,682	348	5,758
Total Expenditures	83,045	71,416	11,629	84,970
Net change in fund balance	<u>\$ 16,551</u>	26,116	<u>\$ 9,565</u>	11,521
Beginning fund balance		<u>24,013</u>		<u>12,492</u>
Ending fund balance		<u>\$ 50,129</u>		<u>\$ 24,013</u>

City of Port Lions, Alaska
Reservoir Repair Capital Project Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Grants receivable	\$ 5,249	\$ 1,951
Liabilities and Fund Balance		
Liabilities		
Accrued payroll and related liabilities	\$ 1,970	\$ -
Due to other funds	3,279	4,422
Total Liabilities	5,249	4,422
Fund Balance - (deficit)	-	(2,421)
Total Liabilities and Fund Balance	\$ 5,249	\$ 1,951

City of Port Lions, Alaska

Reservoir Repair Capital Project Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)

Years Ended June 30,	2015	2014
Revenues		
Local sources	\$ 2,400	\$ 8,212
Federal sources - passed through State of Alaska	62,824	28,202
Total Revenues	65,224	36,414
Expenditures - water:		
Salaries and employee benefits	38,442	17,564
Professional fees	574	45
Repairs and maintenance	-	690
Supplies	782	2,267
Construction	18,975	2,074
Insurance	-	4,734
Other	6,987	11,511
Total Expenditures	65,760	38,885
Excess of revenues over (under) expenditures	(536)	(2,471)
Other Financing Sources		
Transfers in	3,007	-
Net change in fund balance	2,471	(2,471)
Beginning deficit	(2,471)	-
Ending deficit	\$ -	\$ (2,471)

City of Port Lions, Alaska

Exhibit H-1

Harbor Enterprise Fund
Statement of Net Position

June 30,	2015	2014
Assets		
Current Assets		
Cash and investments	\$ 1,457,056	\$ 1,444,867
Accounts receivable	6,200	5,631
Grants receivable	-	853,870
Total Current Assets	1,463,256	2,304,368
Capital assets		
Infrastructure	19,891,501	4,227,263
Buildings	215,537	215,537
Equipment	6,500	6,500
Construction in progress	-	10,966,337
Total Capital Assets	20,113,538	15,415,637
Accumulated depreciation	(563,287)	(416,665)
Net Capital Assets	19,550,251	14,998,972
Total Assets	\$ 21,013,507	\$ 17,303,340
Liabilities and Net Position		
Current Liabilities		
Accounts payable - construction	\$ -	\$ 799,087
Accrued payroll and related liabilities	896	-
Accrued leave	1,205	2,063
Unearned revenue	5,351	14,297
Total Current Liabilities	7,452	815,447
Net Position		
Net investment in capital assets	19,550,251	14,998,972
Unrestricted	1,455,804	1,488,921
Total Net Position	21,006,055	16,487,893
Total Liabilities and Net Position	\$ 21,013,507	\$ 17,303,340

City of Port Lions, Alaska
Harbor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Charges for services:		
Moorage, gridiron, and warehouse	\$ 39,448	\$ 36,393
Ferry fees	19,050	11,475
Rental income	125	4,838
Total Operating Revenues	58,623	52,706
Operating Expenses		
Salaries and employee benefits	43,140	34,777
Fuel	503	1,238
Utilities	6,817	6,458
Insurance	9,014	8,152
Supplies	178	174
Depreciation	146,622	146,622
Administrative expenses	1,800	-
Other expenses	659	1,959
Total Operating Expenses	208,733	199,380
Loss from operations	(150,110)	(146,674)
Nonoperating Revenues (Expenses)		
Dividends and interest	17,396	118,463
Investment service fees	(18,714)	(24,371)
Net Nonoperating Revenues (Expenses)	(1,318)	94,092
Loss before transfers and capital contributions	(151,428)	(52,582)
Capital contributions	4,693,976	7,721,461
Transfers out	(24,386)	(51,950)
Change in net position	4,518,162	7,616,929
Beginning net position	16,487,893	8,870,964
Ending net position	\$ 21,006,055	\$ 16,487,893

City of Port Lions, Alaska

Harbor Enterprise Fund
Statement of Cash Flows

Years Ended June 30,	2015	2014
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 49,108	\$ 51,228
Payments to suppliers	(18,971)	(23,841)
Payments to employees	(43,102)	(35,336)
Net cash flows for operating activities	(12,965)	(7,949)
Cash Flows for Noncapital Financing Activities -		
Transfers out	(24,386)	(51,950)
Cash Flows from (for) Capital and Related Financing Activities		
Purchase and construction of capital assets	(5,496,988)	(7,581,058)
Capital contributions received	5,547,846	7,544,458
Net cash flows from (for) capital and related financing activities	50,858	(36,600)
Cash Flows from Investing Activities		
Investment income received, net of fees	(1,318)	94,092
Net increase (decrease) in cash and investments	12,189	(2,407)
Beginning cash and investments	1,444,867	1,447,274
Ending cash and investments	\$ 1,457,056	\$ 1,444,867
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	\$ (150,110)	\$ (146,674)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Depreciation	146,622	146,622
Increase in assets - accounts receivable	(569)	(1,478)
Increase (decrease) in liabilities:		
Accounts payable	-	(5,860)
Accrued and related liabilities	896	-
Accrued leave	(858)	(559)
Unearned revenue	(8,946)	-
Net Cash Flows for Operating Activities	\$ (12,965)	\$ (7,949)

City of Port Lions, Alaska

Harbor Enterprise Fund
Schedule of Capital Projects

Year Ended June 30, 2015	Capital Project Grants					Native Village of Port Lions	Dock & Ferry Terminal Replacement Totals
	<u>15-DC-140</u>	<u>2014-CG-001</u>	<u>14-DC-129</u>	<u>13-DC-550</u>	<u>12-DC-423</u>		
Revenues							
State of Alaska	\$ 43,470	\$ 43,470	\$ 3,497,517	\$ 920,439	\$ 174,830	\$ -	\$ 4,679,726
Other local sources	-	-	-	-	-	14,250	14,250
Harbor Enterprise Fund	-	-	-	-	-	3,925	3,925
Total Revenues	\$ 43,470	\$ 43,470	\$ 3,497,517	\$ 920,439	\$ 174,830	\$ 18,175	\$ 4,697,901
Expenditures - capital outlays							
Administrative	-	-	4,024	5,023	5,318	-	14,365
Salaries and employee benefits	-	-	-	1,390	3,750	-	5,140
Fuel	-	-	-	79	175	-	254
Insurance	-	-	-	-	375	-	375
Professional fees	-	-	32,315	10,256	27,996	18,175	88,742
Travel	-	-	-	425	3,010	-	3,435
Construction	43,470	43,470	3,461,178	903,266	134,206	-	4,585,590
Total Expenditures	\$ 43,470	\$ 43,470	\$ 3,497,517	\$ 920,439	\$ 174,830	\$ 18,175	\$ 4,697,901

City of Port Lions, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2015

Name of Award	Grant Number	Total Grant Award	State Share of Expenditures
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT			
Public Library Assistance Grant	PLA-15-763-60	\$ 6,650	<u>\$ 6,265</u>
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT			
* Revenue Sharing	2015	105,146	105,146
Shared Fisheries Business Tax	2015	15,126	15,126
Port Lions Causeway Refurbish	12-DM-139	35,000	90
Small Boat Harbor Breakwater Stub Design	15-DC-140	54,000	43,470
* City Dock & Ferry Terminal Repairs and Replacement	12-DC-423	8,000,000	174,830
* City Dock & Ferry Terminal Repairs and Replacement	13-DC-550	3,000,000	920,439
* City Dock & Ferry Terminal Repairs and Replacement	14-DC-129	3,500,000	<u>3,497,517</u>
Total Department of Commerce, Community and Economic Development			<u>4,756,618</u>
DEPARTMENT OF REVENUE			
Raw Fish Tax	2015	1,890	1,890
Electric and Telephone Cooperative	2015	1,105	<u>1,105</u>
Total Department of Revenue			<u>2,995</u>
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES			
Small Boat Harbor	2014 CG 001	248,000	<u>43,470</u>
Total State Financial Assistance			<u>\$ 4,809,348</u>

* Major program

See Accompanying Notes to the Schedule of State Financial Assistance.

City of Port Lions, Alaska

Notes to Schedule of State Financial Assistance

1. Basis of Presentation

The accompanying schedule of state financial assistance (The "Schedule") includes the state grant activity of City of Port Lions, Alaska under programs of the State government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Port Lions.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

2. Summary of Significant Accounting Policies

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

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Single Audit Section



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3601 C Street, Suite 600
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Port Lions, 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 business-type activities, each major fund, and the aggregate remaining fund information of City of Port Lions as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Port Lions' basic financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

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

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Port Lions' 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*.

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
December 21, 2015



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3601 C Street, Suite 600
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Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Port Lions, Alaska

Report on Compliance for Each Major State Program

We have audited City of Port Lions' compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Port Lions' major state programs for the year ended June 30, 2015. City of Port Lions' major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Port Lions' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Port Lions' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Port Lions' compliance.

Opinion on Each Major State Program

In our opinion, City of Port Lions complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

Management of City of Port Lions is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Port Lions' internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Port Lions' internal control over compliance.

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

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

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

BDO USA, LLP

Anchorage, Alaska
December 21, 2015

City of Port Lions, Alaska
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

State Financial Assistance

Internal control over major State programs:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)
Type of auditor's report issued on compliance for major State programs:	Unmodified	
Dollar threshold used to distinguish a state major program:	\$ 75,000	

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

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

City of Port Lions, Alaska

Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

Government Auditing Standards

Finding 2014-001 **Journal Entry Review - Significant Deficiency**

Condition: The City's journal entries did not contain evidence of review or approval.

Current Year Status: This finding has been resolved.

State Award Findings

There were no prior year state award audit findings.

City of Port Lions, Alaska

Corrective Action Plan Year Ended June 30, 2015

There were no findings reported in FY15. No corrective action plan is required.