CITY OF ST. MARY'S

St. Mary's, Alaska

Financial Statements, Supplementary
Information and Compliance Reports

June 30, 2015

NEWHOUSE & VOGLER
Certified Public Accountants

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Independent Auditor's Report

Honorable Mayor and City Council
City of St. Mary's
St. Mary's, Alaska

Ladies and Gentlemen:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of The City of St. Mary's 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 of material misstatement. We did not audit the component unit financial statements of the City of St. Mary's School District. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to amounts included for the component unit financial statements of the City of St. Mary's School District and the general fixed assets account group, is based solely on the report of the other auditors.

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.

Honorable Mayor and City Council
City of St. Mary's

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

Opinion
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 aggregate remaining fund information of the City of St. Mary's, as of June 30, 2015, and respective changes in financial position and, where applicable, cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
The City of St. Mary's has not presented the management's discussion and analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although no required to be part of, the basic financial statements.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of St. Mary's financial statements. The combining and individual nonmajor fund financial statements and budget to actual schedules are presented for purposes of additional analysis and are not a required part of the financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budget to actual schedules are fairly stated in all material respects in relation to the 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 May 10, 2016 on our consideration of the City of St. Mary'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Anchorage, Alaska
May 10, 2016

CITY OF ST. MARY'S
St. Mary's, Alaska

Exhibit A-1

Statement of Position

Primary Governmental Activities

June 30, 2015

	Governmental Activities	Business-type Activities	Totals - Primary Government (Memorandum Only)	Component Unit - City of St. Mary's School District	Totals - Reporting Entity (Memorandum Only)
Assets					
Current assets:					
Cash	$ 230,253	2,379	232,632	6,292,576	6,525,208
Accounts receivable, net	221,276	58,303	279,579	1,175,277	1,454,856
Inventory	26,081	-	26,081	266,595	292,676
Grants receivable	113,633	-	113,633	-	113,633
Prepaid expenses	18,635	-	18,635	106,241	124,876
Capital assets, not being depreciated	408,760	180,540	589,300	6,337,138	6,926,438
Capital assets, net of depreciation	2,264,438	2,759,670	5,024,108	19,354,266	24,378,374
Total assets	3,283,076	3,000,892	6,283,968	33,532,093	39,816,061
Deferred outflows - Pension related	-	-	-	170,159	170,159
Total assets and deferred outflows	$ 3,283,076	3,000,892	6,283,968	33,702,252	39,986,220
Liabilities and Net Assets					
Liabilities:					
Accounts payable	$ 682,371	-	682,371	1,165,098	1,847,469
Accrued liabilities	35,008	-	35,008	41,001	76,009
Refundable advances	25,918	-	25,918	-	25,918
Unearned revenue	-	5,609	5,609	3,253,333	3,258,942
Deposit payable	-	1,950	1,950	-	1,950
Fuel loan	64,765	-	64,765	-	64,765
Notes payable, current portion	54,996	2,956	57,952	-	57,952
Total current liabilities	863,058	10,515	873,573	4,459,432	5,333,005
Non-current liabilities:					
Accrued leave	11,531	-	11,531	24,430	35,961
Notes payable, net of current portion	104,871	38,165	143,036	-	143,036
Net pension liability	-	-	-	1,270,066	1,270,066
Total liabilities	979,460	48,680	1,028,140	5,753,928	6,782,068
Deferred inflows - Pension related	-	-	-	130,710	130,710
Net position:					
Net investment in capital assets	2,513,331	2,940,210	5,453,541	25,691,404	31,144,945
Unrestricted	(209,715)	12,002	(197,713)	2,126,210	1,928,497
Total net position	2,303,616	2,952,212	5,255,828	27,817,614	33,073,442
Total liabilities, net position, and deferred outflows	$ 3,283,076	3,000,892	6,283,968	33,702,252	39,986,220

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

Exhibit A-2

CITY OF ST. MARY'S
St. Mary's, Alaska

Statement of Activities

Year Ended June 30, 2015

Activities:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government:					
General government	$ 389,952	-	-	-	(389,952)
Public safety	137,349	-	-	-	(137,349)
Public services	66,059	-	-	-	(66,059)
Public works	902,861	1,166,737	-	286,250	550,126
Environmental protection	31,780	29,708	-	80,000	77,928
Gaming	74,178	69,931	-	-	(4,247)
Total governmental activities	1,602,179	1,266,376	-	366,250	30,447
Business-type activities:					
Port enterprise	20,274	72,798	-	-	52,524
Water and sewer	457,586	289,724	-	-	(167,862)
Total business-type activities	477,860	362,522	-	-	(115,338)
Total primary governmental Activities	2,080,039	1,628,898	-	366,250	(84,891)
Component unit - School District	7,325,808	59,324	1,725,824	5,669,618	128,958

	Governmental Activities	Business-type Activities	Total	Component Unit - City of St. Mary's School District	Totals - Reporting Entity (Memorandum Only)
General revenues:					
State grants and entitlements	$ 124,111	-	124,111	4,787,597	4,911,708
Federal grants and entitlements	79,105	-	79,105	-	79,105
E-rate revenue	-	-	-	307,287	307,287
In - kind services performed by the city	-	-	-	87,212	87,212
Sales tax	195,326	-	195,326	-	195,326
Tobacco tax	35,883	-	35,883	-	35,883
AVEC plant	45,055	-	45,055	-	45,055
Rentals:					
Building	14,700	-	14,700	-	14,700
Equipment	53,013	-	53,013	-	53,013
City Hall use	1,525	-	1,525	-	1,525
Land Sale	20,000	-	20,000	-	20,000
Job work orders	8,020	-	8,020	-	8,020
Earnings on investments	-	-	-	10,991	10,991
Alcohol permit fees	4,700	-	4,700	-	4,700
Alcohol delivery fees	20,190	-	20,190	-	20,190
Alcohol tax	2,059	-	2,059	-	2,059
City lodge	48,700	-	48,700	-	48,700
Interest income	-	-	-	-	-
Other	81,874	-	81,874	82,776	164,650
Total general revenues	734,261	-	734,261	5,275,863	6,010,124
Operating transfers	50,226	(50,226)	-	-	-
Capital assets transferred to enterprise funds	(342,746)	342,746	-	-	-
Change in net position	472,188	177,182	649,370	5,404,821	6,054,191
Net position beginning of year	1,831,428	2,775,030	4,606,458	23,603,804	28,210,262
Prior period adjustment	-	-	-	(1,191,011)	(1,191,011)
Net position beginning of year, restated	1,831,428	2,775,030	4,606,458	22,412,793	27,019,251
Net position end of year	$ 2,303,616	2,952,212	5,255,828	27,817,614	33,073,442

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

CITY OF ST. MARY'S
St. Mary's, Alaska

Exhibit B-1

All Governmental Fund Types

Combined Balance Sheet

June 30, 2015

	General	Nonmajor Funds	Total Governmental Funds
Assets			
Cash	$ 196,928	33,325	230,253
Accounts receivable	221,276	-	221,276
Grants receivable	-	113,633	113,633
Prepaids	18,635	-	18,635
Due from central treasury	113,633	-	113,633
Fuel inventory	26,081	-	26,081
	$ 576,553	146,958	723,511
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 681,733	638	682,371
Accrued liabilities	33,732	1,276	35,008
Refundable advances	-	25,918	25,918
Fuel loan	64,765	-	64,765
Due to central treasury	-	113,633	113,633
Total liabilities	780,230	141,465	921,695
Fund (deficits) balances -			
Unreserved - undesignated	(203,677)	5,493	(198,184)
	$ 576,553	146,958	723,511

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

Exhibit B-2

CITY OF ST. MARY'S
St. Mary's, Alaska

All Governmental Fund Types

Combined Statement of Revenues, Expenditures, and Changes in Fund (Deficits) Balances

Year Ended June 30, 2015

	Major Funds			
	General	Gravel Haul	Nonmajor Funds	Total Governmental Funds
Revenues:				
Federal	$ 79,105	-	33,633	112,738
State of Alaska	124,111	-	332,617	456,728
Other	531,045	1,166,737	99,639	1,797,421
Total revenues	734,261	1,166,737	465,889	2,366,887
Expenditures:				
Salaries	519,228	186,308	73,056	778,592
Fringe benefits	56,470	14,480	4,819	75,769
Supplies and materials	122,455	12,042	134,421	268,918
Stipends	12,350	-	-	12,350
Utilities and phone	15,842	-	820	16,662
Dues and fees	13,707	83,952	1,170	98,829
Freight	22,511	64,360	19,902	106,773
Repairs and maintenance	25,591	112,297	750	138,638
Insurance	56,031	123	-	56,154
Travel and per diem	3,124	4,642	2,553	10,319
Fuel	83,212	53,253	-	136,465
Electricity	20,763	-	-	20,763
Equipment	44,893	250,333	168,585	463,811
Rent	-	12,550	24,737	37,287
Professional fees	21,531	-	108,769	130,300
Payout	-	-	9,480	9,480
Interest	7,884	2,754	-	10,638
Mission purchase	320,000	-	-	320,000
Other	14,563	70	8,584	23,217
Total expenditures	1,360,155	797,164	557,646	2,714,965
Excess of revenues over (under) expenditures	(625,894)	369,573	(91,757)	(348,078)
Other financing sources (uses):				
Operating transfers	492,156	(529,440)	87,510	50,226
Proceeds of long-term debt	270,000	173,000	-	443,000
Payments on long-term debt - principal	(270,000)	(13,133)	-	(283,133)
Total other financing sources (uses)	492,156	(369,573)	87,510	210,093
Excess of revenues over (under) expenditures and other financing sources (uses)	(133,738)	-	(4,247)	(137,985)
Fund (deficits) balances, beginning of year	(69,939)	-	9,740	(60,199)
Fund (deficits) balances, end of year	$ (203,677)	-	5,493	(198,184)

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

CITY OF ST. MARY'S
St. Mary's, Alaska

Exhibit B-3

All Governmental Fund Types

Reconciliation of the Balance Sheet
to the Statement of Net Assets

Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balance - Total governmental funds	$ (198,184)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	2,673,198
Long term debt is not due and payable in the current period and, therefore, is not reported in funds	(159,867)
Compensated absences are not due and payable in the current period and, therefore, are not reported in funds	(11,531)
Net assets of governmental activities	$ 2,303,616

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

Exhibit B-4

CITY OF ST. MARY'S
St. Mary's, Alaska

All Governmental Fund Types

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund (Deficits) Balances to the Statement of Activities

Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - Total governmental funds	$ (137,985)
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 and reported as depreciation expense. This is the amount by which capital outlays of $1,140,884 exceeded depreciation of $195,676.	945,208
Governmental funds report principal payments on debt as expenditures; however, in the statement of activities, the cost of those expenditures is a reduction of a liability. The amount of principal payments reported as expenditures is:	283,133
Governmental funds report proceeds from debt as income; however, in the statement of activities, the proceeds are reported as a liability. Proceeds from debt were:	(443,000)
Governmental funds report compensated absence expenses when taken; however, in the statement of activities, the cost of absences are expensed when earned. The amount of compensated absences earned and outstanding at the end of the year increased:	(2,368)
The completed SOA DOT 12-DC-426 Fire Hydrant project was transferred to the Water and Sewer enterprise fund as a capital contribution.	(172,800)
Total changes in net assets of governmental activities	$ 472,188

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

CITY OF ST. MARY'S
St. Mary's, Alaska

Exhibit B-5

Combining Statement of Revenues, Expenditures, and Changes in Fund (Deficits) Balances - Budget and Actual

General Fund and Annually Budgeted Major Special Revenue Funds

Year Ended June 30, 2015

	General Fund			Gravel Haul		
	Original/Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	Original/Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Revenues:						
Federal	$ 75,000	79,105	4,105	-	-	-
State	170,000	124,111	(45,889)	-	-	-
Other	417,059	531,045	113,986	469,000	1,166,737	697,737
Total revenues	662,059	734,261	72,202	469,000	1,166,737	697,737
Expenditures:						
Salaries	395,640	519,228	(123,588)	131,000	186,308	(55,308)
Fringe benefits	67,689	56,470	11,219	26,200	14,480	11,720
Supplies and materials	27,822	122,455	(94,633)	25,000	12,042	12,958
Stipends	17,570	12,350	5,220	-	-	-
Utilities and Phone	9,743	15,842	(6,099)	5,000	-	5,000
Dues and fees	4,900	13,707	(8,807)	-	83,952	(83,952)
Freight	12,900	22,511	(9,611)	7,000	64,360	(57,360)
Repairs and maintenance	6,000	25,591	(19,591)	30,000	112,297	(82,297)
Insurance	47,412	56,031	(8,619)	20,000	123	19,877
Travel and per diem	10,500	3,124	7,376	-	4,642	(4,642)
Fuel	41,170	83,212	(42,042)	76,500	53,253	23,247
Electricity	19,884	20,763	(879)	-	-	-
Equipment	2,100	44,893	(42,793)	-	250,333	(250,333)
Rent	-	-	-	25,000	12,550	12,450
Professional fees	39,000	21,531	17,469	-	-	-
Royalties	-	-	-	45,000	-	45,000
Interest	900	7,884	(6,984)	-	2,754	(2,754)
Tax penalties	1,000	-	1,000	-	-	-
Mission purchase	-	320,000	(320,000)	-	-	-
Other	5,850	14,563	(8,713)	-	70	(70)
Total expenditures	710,080	1,360,155	(650,075)	390,700	797,164	(406,464)
Excess of revenues (under) over expenditures	$ (48,021)	(625,894)	(577,873)	78,300	369,573	291,273
Other financing sources (uses):						
Operating transfers	-	492,156	492,156	(164,604)	(529,440)	(364,836)
Proceeds of long-term debt	-	270,000	270,000	-	173,000	173,000
Payments on long-term debt - principal	(35,641)	(270,000)	(234,359)	-	(13,133)	(13,133)
Total other financing sources (uses)	(35,641)	492,156	527,797	(164,604)	(369,573)	(204,969)
Excess of revenues over (under) expenditures and other financing sources (uses)	(83,662)	(133,738)	(50,076)	(86,304)	-	86,304
Fund (deficits) balances, beginning of year		(69,939)			-	
Fund (deficits) balances, end of year		$ (203,677)			-	

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

Exhibit C-1

CITY OF ST. MARY'S
St. Mary's, Alaska

Business-Type Activities

Combining Statement of Net Position

June 30, 2015

	Port	Water and Sewer	Totals
Assets			
Cash	$ -	2,379	2,379
Accounts receivable, net	-	58,303	58,303
Capital assets, net	328,213	2,611,997	2,940,210
Total assets	$ 328,213	2,672,679	3,000,892
Liabilities and Net Position			
Liabilities:			
Unearned revenue	$ -	5,609	5,609
Deposit payable	-	1,950	1,950
Notes payable, current portion	-	2,956	2,956
Total current liabilities	-	10,515	10,515
Long term Liabilities:			
Notes payable, net of current portion	-	38,165	38,165
Net position:			
Net investment in capital assets	328,213	2,611,997	2,940,210
Unrestricted	-	12,002	12,002
Total net position	328,213	2,623,999	2,952,212
Total liabilities and net position	$ 328,213	2,672,679	3,000,892

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

CITY OF ST. MARY'S
St. Mary's, Alaska

Exhibit C-2

Business-Type Activities

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

	Port	Water and Sewer	Totals
Operating revenues:			
Other	$ 72,798	289,724	362,522
Total operating revenue	72,798	289,724	362,522
Operating expenses:			
Salaries	-	79,399	79,399
Fringe benefits	-	17,059	17,059
Supplies and materials	-	36,930	36,930
Utilities and phone	-	1,326	1,326
Dues and fees	-	3,011	3,011
Freight	-	5,152	5,152
Repairs and mainenance	-	10,526	10,526
Travel and per diem	-	3,919	3,919
Fuel	-	25,946	25,946
Electricity	-	32,293	32,293
Millage	-	87,212	87,212
Interest expense	-	2,897	2,897
Depreciation	20,274	151,856	172,130
Other	-	60	60
Total operating expenses	20,274	457,586	477,860
Operating income (loss)	52,524	(167,862)	(115,338)
Nonoperating revenues (expenses):			
Capital contributions	-	342,746	342,746
Transfers (to) from governmental funds	(72,798)	22,572	(50,226)
Change in net position	(20,274)	197,456	177,182
Net position beginning of year	348,487	2,426,543	2,775,030
Net position end of year	$ 328,213	2,623,999	2,952,212

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

Exhibit C-3

CITY OF ST. MARY'S
St. Mary's, Alaska

Business-Type Activities

Combining Statement of Cash Flows

Year Ended June 30, 2015

	Port	Water and Sewer	Total
Cash flows from operating activities:			
Cash payments from customers	$ 72,798	198,560	271,358
Cash paid to employees	-	(96,458)	(96,458)
Cash payments for goods and services	-	(122,060)	(122,060)
Net cash provided by operating activities	72,798	(19,958)	52,840
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	(72,798)	22,572	(50,226)
Net cash used by capital and financing activities	(72,798)	22,572	(50,226)
Cash flows from capital and related financing activities:			
Repayment of long-term debt	-	(2,614)	(2,614)
Net cash used by capital and financing activities	-	(2,614)	(2,614)
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	2,379	2,379
Cash and cash equivalents, end of year	$ -	2,379	2,379
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 52,524	(167,862)	(115,338)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	20,274	151,856	172,130
(Increase) decrease in assets:			
Accounts receivable	-	(1,448)	(1,448)
Increase (decrease) in liabilities -			
Unearned revenue	-	(2,504)	(2,504)
Net cash provided by operating activities	$ 72,798	(19,958)	52,840
Noncash capital and related financing activity:			
Contribution of capital assets	$ -	342,746	342,746

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of St. Mary's (the City) was incorporated August 2, 1967, as a first-class city and operates under a council-manager form of government providing the following services: public safety, public works, public service, port, water and sewer utility, and general government administration. The accounting principles used are applicable to governments. The accompanying financial statements include all funds, account groups, and component unit entities that are controlled by or dependent on City of St. Mary's.

Reporting Entity

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. Based upon the application of these criteria, St. Mary's City School District was included within the City's financial statements. No other entities exist over which the City has oversight responsibility.

Component Unit

City of St. Mary's School District is a component unit of City of St. Mary's. The School District was formed as an Alaskan government and has been determined as a tax-exempt entity by Internal Revenue Service. The School District owns teacher housing, fuel tanks, standby generator, various other equipment, and Andreafski High School.

As the School District is organized as a government, its financial statements are prepared using accounting principles generally accepted in the United States of America as related to governmental organizations. As such, the financial statements are prepared using the fund accounting method.

Fund Accounting

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

Fund Types and Major Funds

The City of St. Mary's reports the following major governmental funds:

- *General Fund* - The general fund is the general operating fund of the City. It is used to account for all financing resources, except those required to be accounted for in another fund.

- *Gravel Haul* - Accounts for all revenue received and expenditures made for the development and administration of construction.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
Fund Accounting, continued
The City of St. Mary's reports the following major enterprise funds:

- *Port* - Accounts for all revenue received and expenditures made for the port usage.

- *Water and Sewer* - Accounts for all revenue received and expenditures made for the usage of the utility.

Fixed Assets and Long-term Liabilities
The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending financial flow measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available undesignated resources. Government fund-type operating statements present increases (revenues and transfers from other funds) and decreases (expenditures and transfers to other funds) in net current assets. Accordingly, they are said to present a summary of sources and uses of available undesignated resources during a period.

Fixed assets used in governmental fund-type operations (general fixed assets) are accounted for in the general fixed assets account group rather than in governmental fund types. Public-domain general fixed assets consisting of certain improvements other than buildings (including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are capitalized along with other general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The City of St. Mary's delegated administrative control of all net assets of City of St. Mary's School District.

The account groups "general fixed assets" and "general long-term debt" are not "funds." They are concerned only with measurement of financial position. They are not involved with measurement of results of operations.

Proprietary Fund Type
Enterprise funds are accounted for on a cost-of-service or capital-maintenance measurement focus. This means all assets and all liabilities (whether current or noncurrent) associated with their activities are included in their balance sheets. Their reported fund equities (net position) are segregated into net investment in capital assets and unrestricted components. Proprietary fund type - enterprise funds operating statements present increases (revenues) and decreases (expenses) in net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
Proprietary Fund Type, continued
Depreciation of all exhaustible fixed assets used by proprietary fund-type enterprise funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type - enterprise fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method. At June 30, 2015, estimated useful lives in years are as follows:

	Enterprises	Sewer Utility
Buildings	45	-
Dock	50	-
Equipment	20	-
Water and sewer system	-	25

Upon disposal of assets, accounts are relieved of related costs and accumulated depreciation, and resulting gain or losses are reflected in income.

Utility plant in service is recorded at cost, except for donated assets, which are recorded at fair market value at the time received.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in accounts and reported in the general-purpose financial statements. Basis of accounting relates to timing and measurements made, regardless of the measurement focus applied.

Governmental Fund Types
Governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenues at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenues when they are measurable and their validity seems certain.

Long-term receivables due to governmental fund types are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered available spendable resources since they do not represent net current assets. Recognition of governmental fund-type revenues represented by noncurrent receivables is deferred until they become current receivables. Long-term receivables are offset by fund balance reserve accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
Governmental Fund Types, continued
Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (a) accumulated unpaid vacation, sick pay, and other employee benefit amounts which are not accrued and (b) principal and interest on general long-term debt which is recognized when due.

Proprietary Fund Type
Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and expenses recognized when incurred.

Budgets and Budgetary Accounting
The City follows these procedures in establishing budgetary data reflected in the general-purpose financial statements:

1. The City manager submits to the City Council a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted by the City to obtain citizen comments.

3. Prior to June 30, 2015, the budget is legally enacted through passage of an ordinance.

4. The City manager is authorized to amend the budget without Council approval if changes do not affect any one line item by the lesser of 10 percent or $10,000. In a case where the change is greater than 10 percent but less than $10,000, the City manager is allowed to revise that line item by no more than $10,000.

5. Formal budgetary integration is employed as a management control device during the year for general, special revenue, and enterprise funds.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are presented as originally adopted or as amended by the City Council. Individual amendments were not material in relation to original appropriations, which were amended.

Central Treasury
A central treasury is used to account for cash from certain funds of the City to maximize interest income. City of St. Mary's School District's cash is maintained separately.

Cash and Cash Equivalents
For purposes of the statement of cash flows, proprietary funds consider all equity in central treasury to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventories
Inventories are valued at cost (first-in, first-out). Inventory consists of fuel held for resale and/or consumption by City programs. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed.

Interfund Transactions
During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or residual equity transfers is determined by City Council.

Use of Estimates
Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reserves and Designations
Reservations of fund equity represent restrictions placed on net assets for specific purposes.

Designations of unreserved fund balances in governmental funds indicate City management's tentative plans for use of financial resources in a future period.

Accrued Leave
Currently, the City recognizes accrued leave in the period when it is earned. The City's policy awards leave to its permanent employees based upon a ratio of regular hours worked and a seniority factor. Annual leave is accrued and recorded in the government-wide financial statements as an expense in the period earned by the employee. No accrued liability is recognized in the fund financial statements.

Refundable Advances
Amounts received from grantor agencies that are restricted as to use and have not been expended for the intended purpose are recorded as refundable advances.

Due Back to Grantor
Amounts received from grantor agencies that are restricted as to use and have not been used according to grant requirements at the time that the grant period lapses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
Memorandum Only - Total Columns
Total columns on the general-purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

The City is authorized to invest its excess funds in obligations of U.S. agencies. During the year ended June 30, 2015 the City's deposits and investments were insured by the Federal Depository Insurance Corporation.

Components of cash and investments at June 30, 2015, follow:

	Carrying Amount	Bank Balance
City accounts	$ 232,632	235,500

NOTE 3 - ACCOUNTS RECEIVABLE AND VALUATION ALLOWANCES

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2015, the City's receivables by fund types were as follows:

	Governmental Activities	Business-type Activities
Accounts receivable	$ 272,453	122,725
Less allowance for doubtful accounts	(51,177)	(64,422)
Total receivables	$ 221,276	58,303

NOTE 4 - ROYALTIES

The City pays royalties on the gravel they produce. Nerklikmute Corporation owns the surface estate of the gravel pit and Calista Corporation owns the subsurface estate. The City pays Calista Corporation $1.50 and $1.75 per cubic yard for material extracted for local and export sales, respectively. For quantities of less than 500 cubic yards sold to one customer in a calendar year, the City pays Nerklikmute Corporation 25% of the royalty paid to Calista Corporation. For quantities of 500 cubic yards or more sold to one customer in a calendar year, the City pays $0.50 per cubic yard.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary fund financial statements generally reflect such transactions as transfers. Interfund receivable and payable balances arising from these transactions represent short term borrowings. Interfund receivable and payable balances at June 30, 2015 were the following:

	Due From	Due To
Major Program		
General Fund	$ 113,633	-
Non-Major Programs		
Solid Waste	-	80,000
Sanitation Facilities Improvement	-	32,756
14-CDBG-06 Mission Gym	-	877
Total	$ 113,633	113,633

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ -	200,000	-	200,000
Work in progress	57,373	151,387	-	208,760
Total	57,373	351,387	-	408,760
Capital assets, being depreciated:				
Buildings and improvements	3,332,760	120,000	-	3,452,760
Machinery and equipment	3,254,965	669,497	(172,800)	3,751,662
Office furniture	43,932	-	-	43,932
Total	6,631,657	789,497	(172,800)	7,248,354
Less accumulated depreciation	(4,788,240)	(195,676)	-	(4,983,916)
Total	1,843,417	593,821	(172,800)	2,264,438
Total governmental activities, net	$ 1,900,790	945,208	(172,800)	2,673,198

NOTE 6 - CAPITAL ASSETS, continued
Business-Type Activities

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated:				
Water and sewer - land	$ 10,594	-	-	10,594
Water and sewer - Work in progress	-	169,946	-	169,946
Total	10,594	169,946	-	180,540
Capital assets, being depreciated:				
Port	1,430,966	-	-	1,430,966
Water and sewer	6,745,922	172,800	-	6,918,722
Water and sewer - equipment	167,583	-	-	167,583
Total	8,344,471	172,800	-	8,517,271
Less accumulated depreciation	(5,585,471)	(172,130)	-	(5,757,601)
Total	2,759,000	670	-	2,759,670
Total business-type activities, net	$ 2,769,594	170,616	-	2,940,210

Capital contributions to the Water & Sewer enterprise fund included the following items:

Transfer of completed project from governmental funds	$ 172,800
Grant funded construction in process	169,946
Total capital contributions	$ 342,746

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities:	
General government	$ 984
Public safety	1,809
Public services	4,346
Public works	185,733
Environmental protection	2,804
Total governmental activities	$ 195,676
Business-type activities:	
Port	$ 20,274
Water & Sewer	151,856
Total business-type activities	$ 172,130

NOTE 7 - LONG-TERM DEBT

A summary of long-term debt at June 30, 2015 follows:

	Balance
First National Bank Alaska - Financing arrangement for purchase of heavy equipment for gravel producing operations; due in monthly installments of $5,296, including 6.3368% interest.	$ 159,867
Water and sewer utility fund - Sewer expansion loan from U.S. Department of Agriculture, Farmers Home Administration; due in annual installments of $1,000 plus interest at 6-5/8 percent	41,121
Total long-term debt	200,988
Less current installments	(57,952)
Long-term debt, net of current portion	$ 143,036

Annual requirements to amortize the long-term debt as of June 30, 2015, for the next five years and in five-year increments thereafter until maturity are as follow:

For year ended June 30,	Principal	Interest	Total
2016	$ 57,952	10,819	68,771
2017	61,533	7,492	69,025
2018	49,433	3,561	52,994
2019	3,353	2,125	5,478
2020	3,575	1,903	5,478
2021-2025	21,757	5,631	27,388
2026-2030	3,385	224	3,609
	$ 200,988	31,755	232,743

Interest expense of $7,884, $2,754, and $2,897 was charged to the general fund, gravel haul fund, and Water & Sewer enterprise funds, respectively.

NOTE 8 - LEASE ARRANGEMENTS

The City of Saint Mary's is engaged in several leases as of June 30, 2015. When these leases expire, the rental terms become month to month until other arrangements are made between the contracting parties. Therefore, the amount of future lease income cannot be accurately determined. Following is a summary of leases and terms:

Lessee	Property	Lease Expiration	Lease
Crowley Marine Services	Land	May 31, 2022	$0.08 per gallon
Alaska Village Electric Coop, Inc.	Land	June 30, 2023	$1 per year
Algaaciq Tribal Government	Land/building	June 30, 2017	$1 per year

NOTE 9 - DEFINED-BENEFIT PENSION PLANS

The City of St. Mary's School District, a component unit of the City of St. Mary's participates in the State of Alaska Public Employees Retirement System (PERS), and has a net pension liability of $1,270,066. See the School District's financial statements for more information.

The City of St. Mary's, excluding the school district, terminated its involvement in PERS in 2004, and has no pension liability.

NOTE 10 - SCHOOL DISTRICT FINANCIAL STATEMENTS

Requests for a copy of City of St. Mary's School District component unit financial statements should be sent to the following address:

City of St. Mary's School District
P.O. Box 9
St. Mary's, AK 99658

NOTE 11 - SEGMENTS OF SIGNIFICANT ENTERPRISE ACTIVITIES

There are two services provided by the City that are financed by user charges. Key financial data for the year ended June 30, 2015, for these services is as follows:

	Port	Water and Sewer	Total
Revenues	$ 72,798	289,724	362,522
Less: Millage for school district	-	(87,212)	(87,212)
Operating revenues	72,798	202,512	275,310
Depreciation expense	20,274	151,856	172,130
Net operating profit (loss)	52,524	(167,862)	(115,338)
Total assets	328,213	2,672,679	3,000,892
Total equity	328,213	2,623,999	2,952,212

NOTE 12 - CONTINGENT LIABILITIES

City of St. Mary's participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives.

NOTE 13 - DEFICITS

The General Fund had a deficit position in fund balance of $203,677 as of June 30, 2015:

NOTE 14 – 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, but believes none of the new accounting pronouncements will have a material impact on the financial statements of the City.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent event procedures have been performed as of May 10, 2016. This is also the date the financial statements were available to be issued.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

Exhibit D-1

CITY OF ST. MARY'S
St. Mary's, Alaska

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Deficit - Budget and Actual

Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources:			
3% Sales tax	$ 163,975	195,326	31,351
10% Tobacco tax	26,943	35,883	8,940
Fish tax	307	-	(307)
Rentals:			
Building	6,000	14,700	8,700
Equipment	60,000	53,013	(6,987)
City Hall use	2,000	1,525	(475)
Concessions	4,500	-	(4,500)
Land lease	25,993	-	(25,993)
Land sale	-	20,000	20,000
Shop repairs	3,000	8,020	5,020
AVEC	40,855	45,055	4,200
Port-Tariff	15,000	-	(15,000)
Alcohol beverage permit fees	5,350	4,700	(650)
Alcohol beverage delivery fee	18,750	20,190	1,440
Alcohol sales tax	1,830	2,059	229
City lodge	36,800	48,700	11,900
Fines and impound fees	5,556	-	(5,556)
Other	200	81,874	81,674
Total local sources	417,059	531,045	113,986
State sources - other	170,000	124,111	(45,889)
Federal sources - payment in lieu of taxes	75,000	79,105	4,105
Total revenues	662,059	734,261	72,202
Expenditures:			
Administration and finance:			
Salaries	128,060	148,288	(20,228)
Fringe benefits	19,554	16,675	2,879
Supplies	5,188	23,360	(18,172)
Utilities and phone	5,150	6,848	(1,698)
Dues and fees	2,300	12,558	(10,258)
Postage and freight	3,200	4,407	(1,207)
Repairs and maintenance	-	418	(418)
Insurance	24,000	44,074	(20,074)
Travel and per diem	6,500	2,524	3,976
Fuel	9,700	57,384	(47,684)
Electricity	9,784	10,384	(600)
Equipment	2,100	17,021	(14,921)
Professional fees	32,000	21,531	10,469
Interest	900	7,884	(6,984)
Tax penalties	1,000	-	1,000
Other	4,750	11,463	(6,713)
Total administration and finance	254,186	384,819	(130,633)

CITY OF ST. MARY'S
St. Mary's, Alaska

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Deficit - Budget and Actual, continued

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, continued:			
City Council:			
Salaries	$ -	1,125	(1,125)
Fringe benefits	-	112	(112)
Supplies	200	-	200
Stipends	17,570	12,350	5,220
Insurance	3,812	-	3,812
Travel and per diem	4,000	-	4,000
Professional fees	7,000	-	7,000
Total city council	32,582	13,587	18,995
City lodge:			
Salaries	14,629	882	13,747
Fringe benefits	3,202	89	3,113
Supplies	9,263	-	9,263
Utilities and phone	530	3,328	(2,798)
Dues and fees	-	122	(122)
Freight	3,400	3,035	365
Repairs and maintenance	-	5,291	(5,291)
Insurance	1,500	-	1,500
Fuel	600	-	600
Electricity	2,300	2,098	202
Other	1,100	672	428
Total city lodge	36,524	15,517	21,007
Public safety:			
Police			
Salaries	58,382	69,247	(10,865)
Fringe benefits	9,070	7,037	2,033
Supplies	5,188	2,433	2,755
Utilities and phone	3,070	4,174	(1,104)
Freight	100	4,177	(4,077)
Repairs and maintenance	500	1,817	(1,317)
Insurance	11,000	11,407	(407)
Fuel	15,200	24,055	(8,855)
Electricity	3,700	3,382	318
Equipment	-	4,842	(4,842)
Other	-	616	(616)
Total police	106,210	133,187	(26,977)

CITY OF ST. MARY'S
St. Mary's, Alaska

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Deficit - Budget and Actual, continued

	Budget	Actual	Favorable (Unfavorable)
Expenditures, continued:			
Public safety, continued:			
Fire and search & rescue:			
Supplies	$ -	513	(513)
Dues and fees	-	32	(32)
Freight	-	31	(31)
Repair and maintenance	500	-	500
Insurance	400	-	400
Fuel	150	-	150
Electricity	700	2,471	(1,771)
Equipment	-	7,914	(7,914)
Other	-	1,275	(1,275)
Total fire and search & rescue	1,750	12,236	(10,486)
Total public safety	107,960	145,423	(37,463)
Public services - parks and recreation:			
Salaries	6,179	12,130	(5,951)
Fringe benefits	2,262	1,124	1,138
Supplies	563	51	512
Dues and fees	-	9	(9)
Freight	-	1,626	(1,626)
Repairs and maintenance	-	3,422	(3,422)
Insurance	1,600	-	1,600
Fuel	1,700	578	1,122
Electricity	900	137	763
Equipment	-	2,421	(2,421)
Other	-	224	(224)
Total public services - parks and recreation	13,204	21,722	(8,518)
Public works:			
Maintenance and shop:			
Salaries	140,000	179,563	(39,563)
Fringe benefits	23,975	22,617	1,358
Supplies	7,320	5,532	1,788
Utilities and phone	445	707	(262)
Dues and fees	2,600	867	1,733
Freight	6,200	7,084	(884)
Repairs and maintenance	5,000	13,981	(8,981)
Insurance	4,000	195	3,805
Fuel	11,820	1,180	10,640
Electricity	800	108	692
Equipment	-	12,695	(12,695)
Other	-	80	(80)
Total road maintenance and shop	202,160	244,609	(42,449)
AVEC services:			
Salaries	31,940	34,642	(2,702)
Fringe benefits	6,126	4,852	1,274
Total AVEC services	38,066	39,494	(1,428)
Total public works	240,226	284,103	(43,877)

CITY OF ST. MARY'S
St. Mary's, Alaska

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Deficit - Budget and Actual, continued

	Budget	Actual	Variance Favorable (Unfavorable)
Alcohol delivery site:			
Salaries	$ 16,450	17,813	(1,363)
Fringe benefits	3,500	3,489	11
Supplies	100	-	100
Utilities and phone	548	785	(237)
Dues and fees	-	54	(54)
Insurance	1,100	150	950
Fuel	2,000	-	2,000
Electricity	1,700	2,183	(483)
Total alcohol delivery site	25,398	24,474	924
Mission:			
Salaries	-	55,538	(55,538)
Fringe benefits	-	475	(475)
Supplies	-	90,566	(90,566)
Dues and fees	-	65	(65)
Freight	-	2,151	(2,151)
Repairs and maintenance	-	662	(662)
Insurance	-	205	(205)
Travel and per diem	-	600	(600)
Fuel	-	15	(15)
Mission purchase	-	320,000	(320,000)
Other	-	233	(233)
Total mission	-	470,510	(470,510)
Total expenditures	710,080	1,360,155	(179,565)
Excess (deficiency) of revenues over expenditures	(48,021)	(625,894)	(107,363)
Other financing sources (uses):			
Operating transfers	-	492,156	(492,156)
Proceeds of long-term debt	-	270,000	(270,000)
Payments on long-term debt - principal	(35,641)	(270,000)	234,359
Total other financing sources (uses)	$ (35,641)	492,156	(527,797)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		(133,738)	
Fund deficit, beginning of year		(69,939)	
Fund deficit, end of year		$ (203,677)	

Exhibit E-1

CITY OF ST. MARY'S
St. Mary's, Alaska

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2015

	Solid Waste	Sanitation Facilities Improvement	15-RR-067 Sewer Main	14-CDBG-06 Mission Gym	Gaming	Totals
Assets						
Cash	$ -	-	25,918	-	7,407	33,325
Grants receivable	80,000	32,756	-	877	-	113,633
	$ 80,000	32,756	25,918	877	7,407	146,958
Liabilities and Fund Balances						
Accounts payable	$ -	-	-	-	638	638
Accrued liabilities	-	-	-	-	1,276	1,276
Refundable advances	-	-	25,918	-	-	25,918
Due to central treasury	80,000	32,756	-	877	-	113,633
Total liabilities	80,000	32,756	25,918	877	1,914	141,465
Fund (deficits) balances, end of year	-	-	-	-	5,493	5,493
	$ 80,000	32,756	25,918	877	7,407	146,958

CITY OF ST. MARY'S
St. Mary's, Alaska

Exhibit E-2

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)

Year Ended June 30, 2015

	Solid Waste	SOA DOT 12-DC-426	Sanitation Facilities Improvement	15-RR-067 Sewer Main	14-CDBG-06 Mission Gym	Gaming	Totals
Revenues:							
Federal	$ -	-	32,756	-	877	-	33,633
State of Alaska	80,000	115,427	-	137,190	-	-	332,617
Other	29,708	-	-	-	-	69,931	99,639
Total revenues	109,708	115,427	32,756	137,190	877	69,931	465,889
Expenditures:							
Salaries	15,707	11,225	1,402	5,213	-	39,509	73,056
Fringe benefits	1,607	1,706	300	894	-	312	4,819
Supplies and materials	-	29,356	6,141	83,996	-	14,928	134,421
Utilities and phone	-	224	-	350	-	246	820
Dues and fees	-	-	-	-	877	293	1,170
Freight	420	8,715	531	9,281	-	955	19,902
Repairs and maintenance	750	-	-	-	-	-	750
Travel and per diem	-	1,375	-	-	-	1,178	2,553
Equipment	168,242	-	-	343	-	-	168,585
Rent	10,492	14,245	-	-	-	-	24,737
Professional fees	-	47,771	24,382	36,616	-	-	108,769
Payout	-	-	-	-	-	9,480	9,480
Other	-	810	-	497	-	7,277	8,584
Total expenditures	197,218	115,427	32,756	137,190	877	74,178	557,646
Excess of revenues over (under) expenditures	(87,510)	-	-	-	-	(4,247)	(91,757)
Other financing sources (uses):							
Operating transfers	87,510	-	-	-	-	-	87,510
Total other financing sources (uses)	87,510	-	-	-	-	-	87,510
Excess of revenues over (under) expenditures and other financing sources (uses)	-	-	-	-	-	(4,247)	(4,247)
Fund (deficits) balances, beginning of year	-	-	-	-	-	9,740	9,740
Fund balances, end of year	$ -	-	-	-	-	5,493	5,493

OTHER REPORTS

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

Independent Auditor's Report

Honorable Mayor and City Council
City of St. Mary's
St. Mary's, Alaska

Ladies and Gentlemen:

We have audited, 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, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of St. Mary's as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of St. Mary's basic financial statements and have issued our report thereon dated May 10, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of St. Mary's School District, as described in our report on the City of St. Mary's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of St. Mary'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 the City of St. Mary's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Mary'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.
Honorable Mayor and City Council
City of St. Mary's

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 The City of St. Mary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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
May 10, 2016