CITY OF SAXMAN

ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2015

CITY OF SAXMAN
Annual Financial Report
For the Year Ended June 30, 2015

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CITY OF SAXMAN

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For the Year Ended June 30, 2015

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Teuscher Ruf & Walpole, LLC
CERTIFIED PUBLIC ACCOUNTANTS • TRUSTED ADVISORS

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Saxman
Saxman, 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 Saxman, Alaska ("City"), 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Saxman, 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.

Change in Accounting Principle

As discussed in Note 2-A to the financial statements, in 2015 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 41 through 43 and the Public Employees Retirement System Schedule of Net Pension Liability, and the Schedule of Pension Contributions on pages 44 through 45 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 a 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saxman, Alaska's basic financial statements. The combining and individual nonmajor fund financial statements and schedules found on pages 47 through 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules found on pages 47 through 60 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Teuscher Ruf & Walpole LLC

Ketchikan, Alaska
March 29, 2016

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

CITY OF SAXMAN
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	158,723	167,147	325,870
Receivables, net:			
Accounts	63,006	24,958	87,964
Taxes	35,630		35,630
Intergovernmental	12,327	10,733	23,060
Total Current Assets	269,686	202,838	472,524
Noncurrent Assets			
Capital Assets			
Nondepreciable capital assets	2,062,155	-	2,062,155
Depreciable capital assets, net	7,028,628	7,486,998	14,515,626
Total Noncurrent Assets	9,090,783	7,486,998	16,577,781
Total Assets	9,360,469	7,689,836	17,050,305
Deferred Outflows			
Related to pensions	33,392	(4,165)	29,227
Total Assets and Deferred Outflows	9,393,861	7,685,671	17,079,532
Liabilities			
Current Liabilities			
Accounts payable	31,137	75,855	106,992
Accrued expenses	742	19,034	19,776
Prepaid services		962	962
Unearned revenue	107,559	2,478	110,037
Compensated absences payable	24,116		24,116
Internal	156,058	(156,058)	-
Unamortized bond premium		1,406	1,406
Note payable	11,454	5,000	16,454
Total Current Liabilities	331,066	(51,323)	279,743
Long-Term Liabilities			
Net pension liability	141,691	91,381	233,072
Unamortized bond premium		25,772	25,772
Note payable (net of current portion)	170,149	160,000	330,149
Total long-term liabilities	311,840	277,153	588,993
Total Liabilities	642,906	225,830	868,736
Deferred Inflows			
Related to pensions	16,370	14,870	31,240
Total Liabilities and Deferred Inflows	659,276	240,700	899,976
Net Position			
Net Investment in capital assets	8,909,180	7,294,820	16,204,000
Restricted for:			
Capital projects	35,283		35,283
Unrestricted	(209,878)	150,151	(59,727)
Total Net Position	$8,734,585	$7,444,971	$16,179,556

See accompanying notes to the basic financial statements

CITY OF SAXMAN
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	460,382	99,086	67,907		(293,389)		(293,389)
Public works	66,786	300		51,556	(14,930)		(14,930)
Health and human services	76,436			5,300	(71,136)		(71,136)
Educational and youth	2,671		224		(2,447)		(2,447)
Tourism and cultural	317,556	254,693		75,215	12,352		12,352
Interest	11,746				(11,746)		(11,746)
Total Governmental Activities	935,577	354,079	68,131	132,071	(381,296)		(381,296)
Business-Type Activities							
Water/sewer service	437,018	180,451	-	10,733		(245,834)	(245,834)
Seaport	202,552	167,561	10,616	-		(24,375)	(24,375)
Total Business-Type Activities	639,570	348,012	10,616	10,733		(270,209)	(270,209)
Total	$ 1,575,147	$ 702,091	$ 78,747	$ 142,804	(381,296)	(270,209)	(651,505)
General Revenues							
Sales taxes					116,219		116,219
Intergovernmental - unrestricted					123,148		123,148
Investment earnings					48	834	882
Gain (loss) on disposal of capital assets					(1,932)	-	(1,932)
Miscellaneous					19,941		19,941
Total General Revenues					257,424	834	258,258
Transfers					-	-	-
Total General Revenues and Transfers					257,424	834	258,258
Change in Net Position					(123,872)	(269,375)	(393,247)
Net Position Beginning of Year as Restated (Note 2-A)					8,858,457	7,714,346	16,572,803
Net Position End of Year					$ 8,734,585	$ 7,444,971	$ 16,179,556

See accompanying notes to the basic financial statements

FUND FINANCIAL STATEMENTS

CITY OF SAXMAN
Balance Sheet - Governmental Funds
June 30, 2015

	General	Carving Center Expansion Fund	Saxman Harbor Fund	Totem Pole Restoration Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	158,723					158,723
Receivables:						
Accounts	63,006					63,006
Taxes	35,630					35,630
Intergovernmental		7,624	4,703			12,327
Interfund		73,124		44,589	2,678	120,391
Total Assets	$257,359	$80,748	$4,703	$44,589	$2,678	$390,077
Liabilities						
Accounts payable	20,686	5,748	4,703			31,137
Accrued expenses	742					742
Unearned revenue	19,561	75,000		9,306	3,692	107,559
Compensated absences payable	24,116					24,116
Interfund payable	276,449					276,449
Total liabilities	341,554	80,748	4,703	9,306	3,692	440,003
Fund Balances						
Restricted for totem pole restoration				35,283		35,283
Unassigned	(84,195)				(1,014)	(85,209)
Total Fund Balances	(84,195)			35,283	(1,014)	(49,926)
Total Liabilities and Fund Balances	$257,359	$80,748	$4,703	$44,589	$2,678	$390,077

See accompanying notes to the basic financial statements.

CITY OF SAXMAN
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		(49,926)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	11,486,707	
Less accumulated depreciation	(2,395,924)	9,090,783
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net position:		
Interfund receivables	120,391	
Interfund payables	(120,391)	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Net pension liability	(141,691)	
Note payable in fiscal year 2016	(11,454)	
Note payable, non-current	(170,149)	(323,294)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows related to pensions	33,392	
Deferred inflows related to pensions	(16,370)	17,022
Net Position of Governmental Activities		$ 8,734,585

See accompanying notes to the basic financial statements.

CITY OF SAXMAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	Carving Center Expansion Fund	Saxman Harbor Fund	Totem Pole Restoration Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental	186,037	10,924	13,628	56,790	37,928	305,307
Sales tax	116,219					116,219
Interfund services provided	50,000					50,000
Investment earnings	48					48
Tourism fees	250,281					250,281
Miscellaneous	83,727			7,500	224	91,451
Total Revenues	686,312	10,924	13,628	64,290	38,152	813,306
Expenditures						
Current:						
General government	444,553					444,553
Public works	51,313		13,628		37,928	102,869
Health and human services	47,655					47,655
Educational and youth					224	224
Tourism and cultural	130,409	10,924		86,036		227,369
Debt service:						
Principal retirement					10,373	10,373
Interest					11,746	11,746
Total Expenditures	673,930	10,924	13,628	86,036	60,271	844,789
Increase (deficiency) of revenues over expenditures	12,382			(21,746)	(22,119)	(31,483)
Other Financing Sources (Uses)						
Transfers in					22,119	22,119
Transfers out	(22,119)					(22,119)
Total Other Financing Sources (Uses)	(22,119)				22,119	
Net Change in Fund Balances	(9,737)			(21,746)		(31,483)
Fund Balances Beginning of Year	(74,458)			57,029	(1,014)	(18,443)
Fund Balances End of Year	($84,195)			$35,283	($1,014)	($49,926)

See accompanying notes to the basic financial statements.

CITY OF SAXMAN
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net Changes in Fund Balances - Total Governmental Funds		(31,483)
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:		
Depreciation expense	(233,761)	
Capital outlay	137,054	(96,707)
The difference between book value and sales proceeds of governmental capital assets disposed of is not reported at the fund financial reporting level but is reported at the government-wide financial reporting level.		
Governmental capital asset disposals	(4,390)	
Accumulated depreciation	2,458	(1,932)
Elimination of transfers between governmental funds:		
Transfers in	(22,119)	
Transfers out	22,119	0
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		10,373
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.		
Increase in net pension obligation and related accounts		(4,455)
Other		332
Change in Net Position of Governmental Activities		$ (123,872)

See accompanying notes to the basic financial statements.

CITY OF SAXMAN
Statement of Net Position - Proprietary Funds
June 30, 2015

	Business-type Activities		
	Water and Sewer	Seaport	Total
Assets			
Current Assets:			
Cash and cash equivalents	4,057	163,090	167,147
Receivables, net			
Accounts	18,355	6,603	24,958
Interfund	156,058		156,058
Intergovernmental	10,733		10,733
Total Current Assets	189,203	169,693	358,896
Noncurrent Assets:			
Capital Assets:			
Depreciable, net	6,478,784	1,008,214	7,486,998
Total Noncurrent Assets	6,478,784	1,008,214	7,486,998
Total Assets	6,667,987	1,177,907	7,845,894
Deferred outflows, related to pensions		(4,165)	(4,165)
Total Assets and Deferred Outflows	6,667,987	1,173,742	7,841,729
Liabilities			
Current Liabilities:			
Accounts payable	12,813	63,042	75,855
Prepaid water and sewer services	962		962
Payroll and related payables		19,034	19,034
Unearned revenue		2,478	2,478
Revenue bond payable		5,000	5,000
Unamortized bond premium		1,406	1,406
Total Current Liabilities	13,775	90,960	104,735
Noncurrent Liabilities:			
Net pension liability		91,381	91,381
Revenue bond payable		160,000	160,000
Unamortized bond premium		25,772	25,772
Total Noncurrent Liabilities:		277,153	277,153
Total Liabilities	13,775	368,113	381,888
Deferred inflows, related to pensions		14,870	14,870
Total Liabilities and Deferred Inflows	13,775	382,983	396,758
Net Position			
Net investment in capital assets	6,478,784	843,214	7,321,998
Unrestricted	175,428	(52,455)	122,973
Total Net Position	$6,654,212	$790,759	$7,444,971

See accompanying notes to the basic financial statements.

CITY OF SAXMAN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities		
	Water and Sewer	Seaport	Total
Operating Revenues:			
Rental and service		167,561	167,561
Water and sewer fees	180,451		180,451
Total Operating Revenues	180,451	167,561	348,012
Operating Expenses:			
Administration	11,836	40,000	51,836
Personal services	49,240	41,181	90,421
Supplies and services	91,839	46,088	137,927
Insurance	9,388	8,853	18,241
Depreciation	274,715	61,649	336,364
Total Operating Expenses	437,018	197,771	634,789
Operating (Loss)	(256,567)	(30,210)	(286,777)
Non-Operating Revenues (Expenses):			
Operating grant received from other entity		10,616	10,616
Bond issue costs		(1,504)	(1,504)
Interest income	2	832	834
Interest expense		(3,277)	(3,277)
Total Non-Operating Revenues (Expenses)	2	6,667	6,669
Income (Loss) before Contributions and Transfers	(256,565)	(23,543)	(280,108)
Other Financing Sources			
Capital grants	10,733		10,733
Total Contributions and Transfers	10,733		10,733
Change in Net Position	(245,832)	(23,543)	(269,375)
Net Position Beginning of Year as Restated (Note 2-A)	6,900,044	814,302	7,714,346
Net Position End of Year	$6,654,212	$790,759	$7,444,971

See accompanying notes to the basic financial statements.

CITY OF SAXMAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds		
	Water and Sewer	Saxman Seaport	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	175,565	167,594	343,159
Cash paid to suppliers	(103,427)	(45,003)	(148,430)
Cash paid to employees	(47,412)	(27,069)	(74,481)
Net Cash Provided by (Used for) Operating Activities	24,726	95,522	120,248
Cash Flows from Noncapital Financing Activities			
Transfers from other funds			
Net Cash (Used for) Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities			
Bonds issued		192,178	192,178
Capital asset acquisitions	(27,961)	(234,742)	(262,703)
Interest paid		(3,277)	(3,277)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(27,961)	(45,841)	(73,802)
Cash Flows from Investing Activities			
Interest	2	832	834
Net Cash Provided by (Used for) Investing Activities	2	832	834
Net Increase (Decrease) in Cash and Cash Equivalents	(3,233)	50,513	47,280
Cash and Cash Equivalents Beginning of Year	7,290	112,577	119,867
Cash and Cash Equivalents End of Year	$4,057	$163,090	$167,147

See accompanying notes to the basic financial statements.

CITY OF SAXMAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds		
	Water and Sewer	Saxman Seaport	Total
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating (Loss)	(256,567)	(30,210)	(286,777)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	274,715	61,649	336,364
State of Alaska on-behalf payments - PERS relief		10,616	10,616
Deferred outflows of resources for pensions		(1,604)	(1,604)
(Increase) decrease in assets:			
Accounts receivable	(3,579)	(2,445)	(6,024)
Due from other funds	4,757		4,757
Prepaid water and sewer	(1,307)		(1,307)
Increase (decrease) in liabilities:			
Accrued expenses		3,496	3,496
Prepaid lease		2,478	2,478
Accounts payable	6,707	51,542	58,249
Total Adjustments	281,293	125,732	407,025
Net Cash Provided by (Used in) Operating Activities	$24,726	$95,522	$120,248
Noncash Investing, Capital and Financing Activities:			
State of Alaska on-behalf payments - PERS relief		10,616	10,616
Disposal of fully-depreciated capital assets		5,382	5,382

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

The City of Saxman, Alaska is a second class city operating under the powers granted by the constitution and laws of the State of Alaska. The City operates under a Council/Mayor form of government and provides a variety of municipal services, including general administration, fire, recreation, public works, ports and harbors, and water and sewer utilities.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Saxman (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. Based upon this criterion, the reporting entity includes the Saxman Seaport enterprise fund as a blended component unit. Saxman Seaport provides warehousing for long-term tenants and port facilities to the local community.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole but do not include fiduciary funds. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with user fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City at the end of its fiscal year.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance.

The following are the City's major governmental funds:

The General Fund - The general fund accounts for all financial resources except those required to be accounted for in some other fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

Carving Center Expansion Fund – This capital project fund is used to account for grant funds received to remodel and expand the building used by artists to carve totem poles and create other authentic native art.

Saxman Harbor Fund - This capital project fund is used to account for grant funds received to plan and design a public harbor in the City of Saxman.

Totem Pole Restoration Fund – This capital project fund is used to account for contributions and for transfers from the General Fund for the purpose of rehabilitating totem poles and infrastructure in the City's Totem Pole Park.

Proprietary funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following are the City's major enterprise funds:

Water and Sewer Fund – This fund provides water and sewer utility services to the residents of the City.

Saxman Seaport Fund – This fund accounts for the operation and maintenance of warehousing and port facilities owned and controlled by the City through a separate corporation.

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions, in which the City receives value without directly giving equal value in return, include sales taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the city must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from most non-exchange transactions also must be available within 60 days of year-end, except that revenues from grants must be available within 180 days of year-end, before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: sales taxes, interest, charges for services and federal and state grants. Other revenues become measurable and available when cash is received and are recognized as revenue at that time.

Unearned Revenue – Amounts received from grantors, which are restricted as to use and have not been expended for the intended use, are shown as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Fund Equity

1-E-1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City and all investments in the cash central treasury. Interest earnings of the central treasury accrue to the City's general fund. For purposes of the statement of cash flows, the City has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash central treasury regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account. Each fund's portion of the pooled cash is displayed on the financial statements as a due to or from other funds.

The City has not adopted an investment policy.

Investments are stated at fair value based on quoted market prices.

1-E-2. Receivables

All trade receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at June 30, 2015.

1-E-3. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable" or "interfund payable". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is shown as nonspendable, as this amount is not available for general appropriation.

1-E-5. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds.

The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the government fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost), and are updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand dollars. The City's infrastructure consists of roads, bridges, sidewalks, storm drains, docks, lighting systems and parking facilities. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, tidelands, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is calculated using the straight-line method over the following useful lives:

Water and sewer system	25 to 50 years
Equipment	5 to 25 years
Buildings and structures	20 to 50 years
Land Improvements	20 to 50 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-6. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due".

1-E-7. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

1-E-8. Bond Premiums, Discounts and Issuance Costs

On the government-wide and the proprietary fund type statements of net position, bond premiums and discounts are netted against bonds payable. Any gain or loss on refunding is reported as a deferred charge. On the government-wide and proprietary fund type statements of activities, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure/expense in both the government-wide statement of activities and at the fund level.

1-E-9. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable – This fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) 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 balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council, the City's highest level of decision-making authority. The City Council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's "intent" to be used for specific purposes, but are neither non-spendable, restricted nor committed. The City Council has not delegated authority to assign fund balances.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-10. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for port, warehouse and water and sewer. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. Any revenue and expense not meeting this definition is reported as non-operating revenue and expense.

1-E-11. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-12. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues and eliminated from the total column. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

1-E-13. Estimates

The 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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same bases as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has been allocated between the governmental activities, business-type activities, and the applicable enterprise fund based on PERS covered payroll during fiscal year 2015.

Note 2 – Changes in Accounting Principles, Stewardship, Compliance and Accountability

2-A. Change in Accounting Principle

As discussed in Note 3-H to the financial statements, the City participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the City adopted the provisions of GASB Statement number 68, *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an adjustment to opening net position to reflect the opening balance pension liabilities and related accounts and to decrease opening net position as follows:

	Opening net position, as originally presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Governmental Activities	$8,978,671	$(120,214)	$8,858,457
Business-type Activities	7,824,862	$(110,516)	7,714,346
Seaport Enterprise Fund	924,818	$(110,516)	814,302

2-B. Budgetary Information

The City adopts an annual operating budget for the general fund and each enterprise fund. The budget resolution reflects the total of each department's appropriation. The budgets for the enterprise funds are adopted for management purposes and are not reported in these financial statements. Generally, a project budget is adopted for each capital projects fund. Budgets for grant-driven special revenue funds are adopted as part of the application for and acceptance of the grant funding. They are also project rather than annual budgets.

Before June 30, the proposed budget is presented to the government's council for review. The government's council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget.

Subject to council approval by resolution, the Mayor may: 1) establish line item expenditures within an authorized appropriation; and/or 2) transfer from one authorized appropriation to another any amount which would not annually exceed ten percent of the line item amount or $10,000, whichever is less.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation) is not utilized by the City.

All unexpended annual appropriations lapse at year-end.

2-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2015:

General Fund	$84,195
Youth Reach Program	$ 1,014

Note 3 – Detailed Notes on All Funds

3-A. Deposits and Investments

Deposits – The bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in its name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

At June 30, 2015, the carrying amount of the City's deposits was $291,382 and the balance per the bank was $374,342. Of the bank balance, the entire balance was covered by federal depository insurance. These deposits are all classified as category 1 credit risk, insured or

held by the City's agent in the City's name. Reconciling items such as outstanding checks cause differences between book and bank balances. See also Note 1-E-1.

Investments - The City had investment accounts with a carrying amount and a bank balance of $33,974 at June 30, 2015. The investment is classified as a category 1 credit risk, insured or registered, or held by the City or its agent in the City's name.

Cash and Investment Reconciliation:

	Cash and Cash Equivalents		Per Categorization
Fund Reporting Level:			
Governmental Funds – Balance Sheet	158,723	Note above:	
Proprietary Fund Type Statement of Net Position	167,147	Deposits	291,382
Less Petty Cash	(514)	Investments	33,974
Total	$325,356		$325,356

	Governmental Activities	Business-Type Activities	Total
Unrestricted	123,440	167,147	290,587
Restricted	35,283		35,283
Total	$158,723	$167,147	$325,870

The restricted cash and investments are comprised of deposits in the common treasury held for totem pole restoration projects.

3-B. Receivables

Receivables at June 30, 2015 consisted of taxes, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility. Receivables as of the year end June 30, 2015 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts	63,100	24,958	88,058
Taxes	35,630		35,630
Intergovernmental	12,327	10,733	23,060
Less allowance for doubtful accounts	(94)		(94)
Net accounts receivable	$110,963	$35,691	$146,654

3-C. Compensated Absences

All permanent full-time employees of the City accrue sick leave, up to a cap of 15 days, which is available for use while employed. Sick leave is paid out at the employee's base pay rate at the time the sick leave is taken. One half of the sick leave is paid upon termination of employment.

Vacation leave is accrued at 10 hours per month for all full-time employees of the City. It is paid at the employee's base pay rate at the time the vacation time is taken. Unused vacation leave caps at 30 days. Accumulated vacation leave and accumulated vested sick leave aggregates to $31,212, which the City has included in accrued expenses at June 30, 2015.

Other compensated leave is one-half day to attend each funeral of a Saxman Village resident. The leave is accrued at the time it is taken.

3-D. Capital Assets

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

	Balance 06/30/14	2015 Additions	2015 Deletions	Balance 06/30/15
Governmental activities:				
Nondepreciable capital assets:				
Land and tidelands	1,609,149	0	0	1,609,149
Construction in progress	319,891	133,115	0	453,006
Total Nondepreciable capital assets	1,929,040	133,115	0	2,062,155
Depreciable capital assets:				
Land improvements	699,232	0	0	699,232
Buildings and structures	8,067,216	0	0	8,067,216
Vehicles	198,879	0	0	198,879
Equipment	464,321	6,906	12,002	459,225
Total depreciable capital assets	9,429,648	6,906	12,002	9,424,552
Total capital assets	11,358,688	140,021	12,002	11,486,707
Accumulated depreciation:				
Land improvements	257,017	20,142	0	277,159
Buildings and structures	1,555,807	167,685	0	1,723,492
Vehicles	115,589	6,407	0	121,996
Equipment	241,187	42,492	10,402	273,277
Total accumulated depreciation	2,169,600	236,726	10,402	2,395,924
Governmental activities capital assets, net	$9,189,088	$(96,705)	$1,600	$9,090,783

Governmental activities depreciation expense:

General government	15,314
Public works	15,473
Health and human services	28,781
Educational and youth	2,447
Tourism and cultural	171,745
Total governmental activities depreciation expense	$233,760

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

	Balance 06/30/14	2015 Additions	2015 Deletions	Balance 06/30/15
Business-type activities:				
Nondepreciable capital assets				
Work in progress	0	0	0	0
Total Nondepreciable capital assets	0	0	0	0
Depreciable capital assets:				
Water and sewer utility plant	8,331,638	27,961	0	8,359,599
Port facilities	4,114,851	234,742	(5,382)	4,344,211
Total depreciable capital assets	12,446,489	262,703	(5,382)	12,703,810
Total capital assets	12,446,489	262,703	(5,382)	12,703,810
Accumulated depreciation:				
Water and sewer utility plant	1,606,100	274,715	0	1,880,815
Port facilities	3,279,730	61,649	(5,382)	3,335,997
Total accumulated depreciation	4,885,830	336,364	(5,382)	5,216,812
Business-type activities capital assets, net	$7,560,659	$(73,661)	0	$7,486,998

Included in the above Port facilities is a fully-depreciated bulk fuel facility with a cost of $60,707. That facility was an idle asset throughout the fiscal year ended June 30, 2015.

3-E. Interfund Balances and Transfers

Interfund balances at June 30, 2015 consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year.

	Payable From:	
Payable To:	General fund	Total
Water and Sewer fund	156,058	156,058
Totem Pole Restoration fund	44,589	44,589
Carving Center Expansion fund	73,124	73,124
Non-major governmental funds	2,678	2,678
	$276,449	$276,449

Interfund transfers for the year ended June 30, 2015 consisted of the following:

	Transfers To:	
Transfer From:	Non-major Governmental funds	Total
General fund	22,119	22,119
Total	$22,119	$22,119

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

All City transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

3-F. Long-Term Debt

In fiscal year 2010, a $76,434 bank loan was obtained to complete the kitchen in the Community Center. The loan bears interest at the Wall Street Journal prime plus 1%, but no less than 7% per annum, and is payable in monthly installments of $687.90. The debt matures September 15, 2024. The debt is collateralized by land owned by the City with a carrying value of $187,878. Interest paid in fiscal year 2015 was $4,098.

In fiscal year 2011, a $20,385 bank loan was obtained to purchase a new copy machine. The loan bears interest at the Wall Street Journal prime plus 1%, but no less than 8% per annum, and is payable in monthly installments of $413.89. The debt matures June 1, 2016 and is not collateralized. Interest paid in fiscal year 2015 was $577.

In fiscal year 2015, a $122,587 bank loan was obtained to complete the new VPSO duplex. The loan bears interest at 6.25% for the first ten years, then Wall Street Journal prime plus 2% for the remaining life of the loan. The loan is payable in monthly installments of $809.00 for the first ten years, then will reduce to $756.93 for the remaining life of the loan. The debt

matures June 1, 2039 and is collateralized by the VPSO Duplex with a carrying value of $687,222. Interest paid in fiscal year 2015 was $7,072.

The following is a summary of changes in the City's long-term debt obligation for the fiscal year ended June 30, 2015:

	VPSO Duplex	Kitchen Loan	Copier Loan	Total
Principal balance at June 30, 2014	$122,587	$60,240	$9,149	$191,976
Principal retired	(1,827)	(4,157)	(4,389)	(10,373)
Balance at June 30, 2015	$120,760	$56,083	$4,760	$181,603

The annual debt service requirements to maturity for all general long-term debt are as follows:

		Principal	Interest
For the year ended June 30:	2016	11,454	11,478
	2017	7,160	10,803
	2018	7,659	10,304
	2019	8,193	9,770
	2020	8,763	9,199
	2021 - 25	47,522	36,082
	2026 - 30	23,581	24,959
	2031 - 35	32,205	16,335
	2036 - 40	35,066	4,781

3-G. Operating Leases

Cape Fox - The City has a five-year agreement, terminating January 1, 2017, appointing Cape Fox Tours as the manager and operator of the City's tourism-related facilities under the Saxman Tourism Agreement and grants Cape Fox Tours the exclusive right to market the Saxman Native Village Tour and exclude customers of outside tours from access to the interior of the tourism-related buildings from mid-April to October 1 each year of the Agreement. In return Cape Fox Tours agrees to pay the City a lease payment/base fee of $32,602.50 in five installments on the first day of May, June, July, August and September each year. The lease payment for the year ended June 30, 2015 was $32,602.50. In addition to the base fee, the agreement provides that Cape Fox Tours will pay the City a head fee for each of its tour customers. Further, the Agreement provides that Cape Fox Tours will contribute $7,500 per year to the City for restoration/replacement of totem poles.

The lease is exclusive only as to tourism-related activities during the five month tour season and, as to the Community Hall, only covers approximately one-fourth of the building. The property covered by the lease is used by the City for other purposes in the non-tourism hours during the tour season. Property covered by this lease is land valued at $221,899 and buildings valued at $6,795,095 less accumulated depreciation of $1,389,609.

During the term of this agreement, the City is required to maintain insurance to guard against loss by fire and hazards in amounts equal to the full insurable value of the facilities and improvements. For the year ended June 30, 2015, the City had insurance coverage to insure its assets. (See Note 4-A – Risk Management for disclosure on insurance coverage).

CCTHITA Headstart – The City leases land to Central Council Tlingit & Haida Indian Tribes of Alaska (CCTHITA) to operate a Headstart program. The lease commenced July 13, 2001 and is for a term of 50 years. Initial monthly lease was $150 and the lease provides for annual increases based on the U.S. Department of Labor Consumer Price Index for Anchorage, AK. Property covered by this lease is land valued at $32,935.

THRHA Senior Center - The City leases land to Tlingit & Haida Regional Housing Authority (THRHA) to operate 2 Senior Housing Centers. The lease commenced December 1, 2009 and is for a term of 50 years with option to renew for another 50 years. No lease fee is charged. Consideration for the lease is the lessee's performance in constructing and operating the Housing Centers. Property covered by this lease is land valued at $26,889.

Seaport Leases
Saxman Seaport leases space to various entities for dry, secure storage. As of June 30, 2015, most leases are on a month-to-month basis. New leases are being negotiated with those tenants. The Seaport collects these rents on a month-to-month basis.

The Seaport leases space to a communications company under a 5-year lease with options for 4 additional 5-year terms. The initial term is for $1,250 monthly and the lease provides for increases of 15% at each option exercise. The initial term ended February 12, 2014. The second 5-year lease amount is $1,437.50 monthly and ends February 12, 2019.

The Seaport leases space to a sportfishing company under a 3-year lease with options for 3 additional 1-year terms. The lease rate is $1,086.75 monthly. The initial term ended April 30, 2015, and was automatically renewed for an additional year.

The Seaport leases a transfer bridge space and tideland access to a marine research organization under an initial 6-month lease with options for renewal. The lease rate was $1,440 monthly. The initial term ended January 17, 2014, and was month-to month until a 16-year lease was signed September 11, 2014. The new lease is for $1,440 monthly for the first five years, and the lease amount is renegotiated at each five year period thereafter.

Property held for leasing is the entire Seaport facility in the Seaport enterprise fund with a cost of $4,344,210 and accumulated depreciation of $3,335,997, and land in the governmental activities with an estimated cost of $610,315.

Total investment in property held for lease is $12,031,343.

Minimum future rentals under these leases for years ending June 30 are:

Years Ending June 30	Amount
2016	141,943
2017	106,084
2018	80,293
2019	74,543
2020	52,329
2021 – 2025	100,925
2026 – 2030	100,925
2031 – 2035	17,405
2036 – 2040	14,525
2041 – 2045	14,525
2046 – 2050	14,525
2051 – 2055	2,905
Total	$720,927

3-H. Retirement Plans

As of June 30, 2015, substantially all eligible employees of the City and the Seaport are members of the Alaska Public Employees' Retirement System (PERS). Eligibility for the City is limited to management and elected officials. Elected officials may waive PERS membership. The City and the Seaport participate in the PERS under separate agreements. Stand-alone financial statements for the plan can be obtained by writing to the Alaska Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203, or by calling (907) 465-4460. The financial statements are also available on the web at http://doa.alaska.gov/drb/pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

Alaska Public Employees' Retirement System

a. System Description

The Alaska Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer plan established and administered by the State of Alaska (State) to provide pension, postemployment healthcare, death, and disability benefits to eligible employees in four tiers. Tiers I, II and III are a defined benefit public employee retirement plan. Effective July 1, 2006, the State Legislature (Senate Bill 141) closed the defined benefit plan to new members and created PERS Tier IV as a defined contribution retirement plan, described later in these notes, with a component of defined benefit postemployment healthcare. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits does not track individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

Benefit and contribution provisions are established by State law and may be amended only by the State legislature. Local government participation in the PERS is optional. Entire departments or classes of employees can opt out of participation, but other than that, employee participation in the PERS is mandatory for permanent employees scheduled to work at least 20 hours a week. There is no optional participation for other employees.

b. Historical Context and Special Funding Situation

The PERS plan had been an agent-multiple employer plan until July 1, 2008, the effective date of legislation passed by the Alaska Legislature converting it to a cost-sharing plan. Companion legislation statutorily capped the employer contribution rate, established a state-funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan.

Alaska Statute 39.35.255 requires PERS employers to contribute to the plan at the rate of 22% of salaries. Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contributions under AS 39.35.255, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Management Retirement Board.

Although AS 39.35.280 calls for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that this statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that payments under AS 39.35.280 are *not* in a special funding situation.

Management of the City, along with management of many other communities in the state, disagrees with the State's position and believes that AS 39.35.280 constitutes a special funding situation for the State under GASB 68 rules and the City has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter. City Management also disagrees with the State's methodology for calculating the City's proportional share of net pension liability, and believes the allocations are materially flawed. For the purposes of compliance with GASB 68, the City maintains that the contributions required by AS 39.35.255 are the only legal obligations of the City. However, for external accounting and reporting, the City has recorded this activity based on the allocations provided by the State.

The City records the on-behalf contributions as revenue and expense/expenditures in the fund financial statements. However, the expenditures are adjusted to deferred outflows in the enterprise funds and government-wide financial statements.

Defined Benefit Plan (Tiers I, II and III)

Employee Contribution Rates

Employee contribution rates for the defined benefit plan are 6.75% of eligible compensation (2.97% for pension and 3.78% for healthcare). Firefighters and police are required to contribute 7.5% of eligible compensation (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

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

Employer Effective Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate covers all PERS participating wages, including those wages attributable to employees in the defined contribution plan. A portion of contributions paid on the defined contribution employees' wages is actually applied to the Defined Benefit Unfunded Liability or DBUL to help fund the defined benefit plan liability.

Actuarial Required Contribution (ARC): This is the rate calculated by the actuary to determine the amount of State assistance or on-behalf payments required in addition to the employer effective rate, and is formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual funding requirements of the Plan, without regard to the statutory rate cap or the GASB accounting rate. Prior to July1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the Arm Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term, extended by nine years, and which ends in 2039. This will result in lower Actuarially Required Contribution rates in future years, but substantial additional contributions over time.

On-behalf Contribution Rate: This is the rate paid in by the State as State assistance or "on-behalf" payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the Actuarial Required Contribution Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of $1 billion. As a result, the On-Behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and government-wide financial statements, the on-behalf amounts are included in revenue, but are recorded as deferred outflows, rather than pension expense.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB 43 rate discards all future Medicare Part D payments. For FY15, the rate uses an 8% pension discount rate and a 4.90% healthcare discount rate.

The GASB rate and the Actuarial Required Contribution Rate differ significantly as a direct result of variances in the actuarial valuation methodology and assumptions used.

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2012 actuarial valuation and are as follows:

	Employer Effective Rate	ARC Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see Defined Benefits OPEB below)	9.46%	18.94%	0.00%	55.07%
Total contribution rate	22.00%	44.03%	42.41%	88.12%

In 2015, the City and the Seaport were credited with the following contributions to the pension plan.

	City	Seaport
Employer contributions (including DBUL)	17,200	12,970
Nonemployer contributions (on-behalf)	62,889	10,616
	80,089	23,586

In addition, employee contributions to the plan totaled $449 during the City's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	City	Seaport
City's proportionate share of NPL	141,691	91,381
State's proportionate share of NPL associated with the City	134,539	-0-
Total Net Pension Liability	276,230	91,381

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of

all participating entities, including the State, actuarially determined. At June 30, 2014, the City's proportion was 0.00303788 percent, which was an increase of 0.00047833 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City and Seaport recognized pension expense of $35,714 and on-behalf revenue of $73,505 for support provided by the State. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		Seaport	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-	-	-
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	16,370	-	14,870
Changes in proportion and differences between City contributions and proportionate share of contributions	20,095	-	(6,104)	-
City contributions subsequent to the measurement date	13,297	-	1,939	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	$33,392	$16,370	$(4,165)	$14,870

The $33,392 for the City and $(4,165) for the Seaport reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	City	Seaport
2016	$6,830	$(5,957)
2017	(816)	(3,635)
2018	(4,093)	(2,639)
2019	(4,093)	(2,639)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation	3.12%
Salary Increases	Graded by service, from 6.36% to 4.12% for Peace Officers/Firefighters. Graded by age and service, from 9.6% to 3.62% for all others.
Investment Return/Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace Officers/Firefighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination.

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

Asset Class	Long-Term Expected Real Rate of Return
Equities:	
Broad domestic equity	5.40%
Large cap	5.25%
Small/mid cap	5.60%
International equity	5.25%
Emerging markets equity	5.65%
Global ex-U.S. equity	5.55%
Fixed income:	
Domestic fixed	0.75%
TIPS	0.75%
Other:	
Real estate	3.95%
Private equity	6.40%
Hedge funds	2.85%
Cash equivalents	(0.25)%

Discount Rate

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

Discount Rate Sensitivity

The following presents the Retirement System's net pension liability and the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.0%	$6,115,581,980	$4,664,138,458	$3,441,888,494
City's proportionate share of the net pension liability	0.00303788%	$185,784	$141,691	$104,560
Seaport's proportionate share of the net pension liability	0.00195922%	$119,818	$91,381	$67,434

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website as noted above. http://doa.alaska.gov/drb/pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the

PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2015, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2015 were $12,865 and $10,400, respectively for the City and $2,567 and $1,845, respectively for the Seaport. The City contribution amount was recognized as pension expense/ expenditures.

Defined Benefit OPEB Plan

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

The City is required to contribute 9.46% of covered payroll into the OPE plan. Employees do not contribute.

Annual Postemployment Healthcare Rate

Actual contributions into the plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2014 and 2013 were $8,491 and $9,618, respectively for the City and $0 and $887, respectively for the Seaport.

City			
Year ended June 30,	Annual OPEB Costs	City Contributions	% of Costs Contributed
2015	$3,903	$3,903	100.0%
2014	4,166	4,166	100.0%
2013	2,317	2,317	100.0%

Seaport			
Year ended June 30,	Annual OPEB Costs	City Contributions	% of Costs Contributed
2015	$ 0	$ 0	100.0%
2014	0	0	100.0%
2013	2,672	2,672	100.0%

Defined Contribution OPEB Plan

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2015 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
Total Contribution Rates	1.88%	2.72%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of **all employees of all employers** in the plan". As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates $1,961 per year for each full-time employee, and $1.26 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the City contributed $2,444 from the City and $434 from the Seaport in DC OPEB costs. These amounts have been recognized as expense/expenditures.

Additional Pension Contributions for Terminated Employees

In addition to the amounts above, the City was required to pay assessments totaling $10,463 for 2015, to help cover obligations to employees terminated after fiscal year end June 30, 2008. The City had terminated employees of the Seaport who had been participants in PERS. State law requires the City to contribute into the PERS an amount each year equal to that year's employer rate times the amount by which that year's reported PERS payroll is a base of the 2008 reported PERS payroll. The $15,538 payable at June 30, 2014 from the fiscal year 2014 assessment was paid off in fiscal year 2015. The payable at June 30, 2015 is $10,463, which is reported in the financial statements as payroll and related payables.

3-I. Net Investment in Capital Assets

The "net investment in capital assets" on the government-wide statement of net position as of June 30, 2015 is as follows:

Net investment in capital assets:	Governmental Activities	Business-Type Activities
Cost of capital assets	11,486,707	12,709,192
Less accumulated depreciation	(2,395,924)	(5,222,194)
Book value	9,090,783	7,486,998
Less notes payable	(181,603)	(165,000)
Less unamortized bond premium		(27,178)
Net investment in capital assets	$8,909,180	$7,294,820

3-J. Fund Balances

Restricted – The following fund balances are restricted for:

Capital Projects Funds:

Totem Pole Restoration Fund – Used to account for funds restricted by the donor and grantors to repair and replace the City's totem poles	35,283
Total	$35,283

Note 4 – Other Notes

4-A. Risk Management

The City of Saxman is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and, natural disasters. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs.

The City is as member of Alaska Municipal League/Joint Insurance Association, Inc. (AML/JIA), a governmental insurance pool. AML/JIA provides the City coverage for property, including buildings and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, public officials and employees, liability, law enforcement professional liability, auto liability, and employee benefit liability; workers' compensation, including employer's liability; and commercial blanket bond. The City has no coverage for potential losses from environmental damages.

AML/JIA is a public entity risk pool organized to share risks among its members. AML/JIA'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. AML/JIA 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 past few years.

4-B. Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

4-C. Commitments and Subsequent Events

In fiscal year 2013, the City issued a $349,670 contract to an engineering firm to plan and design a small boat harbor. The unexpended balance on the contract at June 30, 2015 was $131,017. Funding is provided by a State of Alaska Designated Legislative Grant.

4-D. Economic Dependency/Concentrations

Saxman Seaport – One customer accounted for approximately 15.67% of the Seaport revenue. That customer signed a sixteen-year lease in FY 15. Another customer accounted for approximately 11.13% of the Seaport revenue. That customer renewed a five-year lease in FY 14.

City of Saxman – The City is economically dependent on tourism, which provides over 44% of its non-grant governmental revenues and provides additional indirect revenues such as sales taxes.

Note 5 - Contingent Liabilities

Management has evaluated the impact of all subsequent events on the City through the date the financial statements were issued and has determined that there were no subsequent events requiring adjustment to the financial statements.

Note 6 – 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 that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined.

GASB 72 – *Fair Value Measurement and Application* – Effective for fiscal 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 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – Effective for fiscal year-end June 30, 2016---except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - Effective for fiscal year-end June 30, 2017. This statement contains financial reporting guidelines for Postemployment Benefit Plans. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - Effective for fiscal year-end June 30, 2018. This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 76 – *The Heirarchy of Generally Accepted Accounting Principles for State and Local Governments* - Effective for fiscal year-end June 30, 2016. This statement clarifies the

heirarchy 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.

GASB 77 – *Tax Abatement Disclosures* - Effective for fiscal year-end June 30, 2017. 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 SAXMAN
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	120,329	123,148	186,037	62,889
Sales tax	115,000	112,000	116,219	4,219
Administration fees	62,500	57,800	50,000	(7,800)
Interest	100	48	48	-
Tourism				
Cape Fox	92,196	82,603	77,563	(5,040)
Independent Tours	207,018	178,218	172,718	(5,500)
Other	97,596	91,218	83,727	(7,491)
Total Revenues	694,739	645,035	686,312	41,277
Expenditures				
General government	383,248	376,248	444,553	(68,305)
Public works	84,210	62,539	51,313	11,226
Health and human services	55,322	53,902	47,655	6,247
Tourism and cultural	149,034	140,293	130,409	9,884
Total Expenditures	671,814	632,982	673,930	(40,948)
Excess (Deficiency) of Revenues Over Expenditures	22,925	12,053	12,382	329
Other Financing Sources (Uses)				
Transfers in	-	20,000	-	(20,000)
Transfers out	(22,925)	(32,053)	(22,119)	9,934
Total Other Financing Sources (Uses)	(22,925)	(12,053)	(22,119)	(10,066)
Net Change in Fund Balance	$ -	$ -	(9,737)	$ (9,737)
Adjustment to GAAP:				
Administrative fee charges to other funds			(50,000)	
Administrative expenditures of other funds budgeted to the general fund			50,000	
Fund Balance Beginning of Year			(74,458)	
Fund Balance End of Year			$ (84,195)	

CITY OF SAXMAN
Schedule of Expenditures - Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Payroll	166,900	166,900	165,922	978
Payroll taxes and benefits	92,009	93,385	146,774	(53,389)
Office expense	3,600	3,350	2,947	403
Equipment maintenance	7,200	4,950	1,754	3,196
Insurance	6,820	8,260	8,184	76
Travel and training	13,027	12,779	15,387	(2,608)
Professional services	80,660	76,660	85,412	(8,752)
Telephone and utilities	5,436	4,665	3,710	955
Supplies	2,100	500	500	-
Penalties and interest	800	800	633	167
Capital outlay	-	-	9,934	(9,934)
Other	4,696	3,999	3,396	603
Total General Government	383,248	376,248	444,553	(68,305)
Public Works				
Payroll	34,320	27,140	21,654	5,486
Payroll taxes and benefits	16,630	12,292	11,023	1,269
Office expense	75	75	75	-
Equipment maintenance	11,250	8,750	4,811	3,939
Equipment purchase and rent	300	300	-	300
Insurance	2,235	2,327	2,327	-
Travel and training	10	15	25	(10)
Professional services	1,050	1,050	1,050	-
Telephone and utilities	8,840	8,840	8,940	(100)
Supplies	7,950	1,200	296	904
Other	1,550	550	1,112	(562)
Total Public Works	84,210	62,539	51,313	11,226
Health and Human Services				
Payroll taxes and benefits	3,600	3,191	3,050	141
Office expense	750	750	615	135
Equipment maintenance	7,750	8,357	4,517	3,840
Insurance	4,567	4,699	4,689	10
Telephone and utilities	4,450	4,700	4,547	153
Contract services	27,955	27,955	26,939	1,016
Supplies	6,250	4,250	3,298	952
Total Health and Human Services	55,322	53,902	47,655	6,247

CITY OF SAXMAN
Schedule of Expenditures - Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Tourism and Cultural				
Community Hall	83,613	77,034	71,830	5,204
Tribal House & Bathroom	24,488	22,615	21,018	1,597
Carving Center	10,861	9,701	8,846	855
Independent Tours	30,072	30,943	28,715	2,228
Total Tourism and Cultural	149,034	140,293	130,409	9,884
Total Expenditures	$671,814	$632,982	$673,930	($40,948)

CITY OF SAXMAN
Public Employees Retirement System
Schedule of the City's Information on the Net Pension Liability

Year Ended June 30, Measurement Date June 30,	City of Saxman 2015 2014	Saxman Seaport 2015 2014
City's proportion of the net pension liability	0.00303788%	0.00195922%
City's proportionate share of the net pension liability	$ 141,691	$ 91,381
State of Alaska proportionate share of the net pension liability	$ 134,539	$ -
Total net pension liability	$ 276,230	$ 91,381
City's covered employee payroll (see Note 2 to required supplementary information.)	4,280	-
City's proportionate share of the net pension liability as a percentage of covered employee payroll	3311%	-
Plan fiduciary net position as a percentage of the total pension liability	62.37%	62.37%

See accompanying notes to Required Supplementary Information

CITY OF SAXMAN
Public Employees Retirement System
Schedule of City Contributions

Year Ended June 30,	City of Saxman 2015	Saxman Seaport 2015
Contractually required contribution	$ 1,133	$ 12,012
Contributions in relation to the contractually required contribution	$ 1,133	$ 12,012
Contribution deficiency (excess)	$ -	$ -
City's covered-employee payroll	$ 6,659	70,626
Contributions as a percentage of covered-employee payroll	17.01%	17.01%

See accompanying notes to Required Supplementary Information

CITY OF SAXMAN
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Note 1 – Budgetary Basis

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that administrative expenses charged to other funds are budgeted as general fund expenditures with the allocated amount also being budgeted as general fund revenue.

Annual budgets are not adopted for governmental funds other than the general fund. Instead, they have program budgets which do not necessarily follow the fiscal year of the City or there is no budget adopted.

Note 2 – Schedule of the City's Information on the Net Pension Liability – Public Employees Retirement System

This table is presented based on the Plan measurement date. For June 30, 2015, the plan measurement date is June 30, 2014.

The Seaport had no payroll for the year ended June 30, 2014.

Most of the City's qualifying payroll for the year ended June 30, 2014 was under the defined contribution plan and not qualified for the defined benefit plan.

Note 3 – Schedule of City Contributions – Public Employees Retirement System

This table is based on the City's contributions during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

Note 4 – Other Information on the Pension Schedules

Both pension tables are intended to present 10 years of information. Additional years' information will be added to the schedules as it becomes available.

There were no benefit changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

COMBINING STATEMENTS NONMAJOR GOVERNMENTAL FUNDS

CITY OF SAXMAN
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2015

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets				
Receivables:				
Internal	2,678	-	-	2,678
Total Assets	$2,678	-	-	$2,678
Liabilities				
Unearned revenue	3,692	-	-	3,692
Total liabilities	3,692	-	-	3,692
Fund Balances				
Unassigned	(1,014)	-	-	(1,014)
Total Fund Balances	(1,014)	-	-	(1,014)
Total Liabilities and Fund Balances	$2,678	-	-	$2,678

CITY OF SAXMAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues				
Intergovernmental	-	37,928	-	37,928
Local donations	224	-	-	224
Total Revenues	224	37,928	-	38,152
Expenditures				
Current:				
Public works	-	37,928	-	37,928
Educational and youth	224	-	-	224
Debt Service:				
Principal retirement	-	-	10,373	10,373
Interest and fiscal charges	-	-	11,746	11,746
Total Expenditures	224	37,928	22,119	60,271
Excess (Deficiency) of revenues over expenditures	-	-	(22,119)	(22,119)
Other Financing Sources (Uses)				
Transfers in	-	-	22,119	22,119
Total Other Financing Sources (Uses)	-	-	22,119	22,119
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning of Year	(1,014)	-	-	(1,014)
Fund Balances End of Year	$ (1,014)	-	-	$ (1,014)

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, debt service resources, or major capital projects) that are restricted to expenditures for specific purposes.

Youth Reach Program – This fund is used to account for grant and other revenues, expenses, donations and General Fund appropriations for Saxman Youth Programs.

CITY OF SAXMAN
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2015

	Youth Reach Program	Total
Assets		
Due from other funds	2,678	2,678
Total Assets	$2,678	$2,678
Liabilities		
Unearned revenue	3,692	3,692
Total Liabilities	3,692	3,692
Fund Balances		
Unassigned	(1,014)	(1,014)
Total Fund Balances	(1,014)	(1,014)
Total Liabilities and Fund Balances	$2,678	$2,678

CITY OF SAXMAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2015

	Youth Reach Program	Total
Revenues		
Other	224	224
Total Revenues	224	224
Expenditures		
Educational and youth	224	224
Total Expenditures	224	224
(Deficiency) of Revenues Over (Under) Expenditures	-	-
Net Change in Fund Balances	-	-
Fund Balance Beginning of Year	(1,014)	(1,014)
Fund Balance End of Year	$ (1,014)	$ (1,014)

NONMAJOR CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds.

Mahoney Lake Project - This fund is used to account for pre-construction costs for a hydroelectric project, and is funded by a state grant.

CITY OF SAXMAN
Combining Balance Sheet - Nonmajor Capital Projects Funds
June 30, 2015

	Mahoney Lake Project	Total
Assets	-	-
Total Assets	-	-
Liabilities	-	-
Total Liabilities	-	-
Fund Balances		
Unassigned:	-	-
Total Liabilities and Fund Balances	-	-

CITY OF SAXMAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2015

	Mahoney Lake Project	Total
Revenues		
Intergovernmental	37,928	37,928
Total Revenues	37,928	37,928
Expenditures		
Current:		
Public works	37,928	37,928
Total Expenditures	37,928	37,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
Net Change in Fund Balances	-	-
Fund Balances Beginning of Year	-	-
Fund Balances End of Year	-	-

PROPRIETARY FUNDS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water and Sewer Fund - This fund is used to account for the activities of the water and sewer department.

Saxman Seaport - This fund is used to account for the activities of Saxman Seaport (a component unit of the City of Saxman).

CITY OF SAXMAN
Statement of Net Position - Water and Sewer Enterprise Fund
June 30, 2015

Assets	
Current Assets:	
Cash and cash equivalents	4,057
Receivables, net	
Accounts	18,355
Interfund	156,058
Grant	10,733
Total Current Assets	189,203
Noncurrent Assets	
Capital Assets:	
Depreciable, net	6,478,784
Total Noncurrent Assets	6,478,784
Total Assets	6,667,987
Liabilities	
Current Liabilities	
Accounts payable	12,813
Prepaid water and sewer services	962
Total Liabilities	13,775
Net Position	
Net investment in capital assets	6,478,784
Unrestricted	175,428
Total Net Position	$6,654,212

CITY OF SAXMAN
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Fund - Water and Sewer
For the Year Ended June 30, 2015

Operating Revenues	
Water and sewer fees	186,571
Less exempt services	(6,120)
Total Operating Revenues	180,451
Operating Expenses	
Administration	10,000
Miscellaneous	1,836
Payroll	36,839
Payroll taxes and employee benefits	10,573
Repairs and maintenance	39,361
Supplies	38,373
Professional	2,500
Water testing	2,815
Utilities	6,264
Office supplies	2,526
Insurance	9,388
VPSO	1,828
Depreciation	274,715
Total Operating Expenses	437,018
Operating Income (Loss)	(256,567)
Non-Operating Revenues (Expenses)	
Interest income	2
Total Non-Operating Revenues (Expenses)	2
(Loss) Before Capital Contributions and Transfers	(256,565)
Capital contributions and grants	10,733
Change in Net Position	(245,832)
Net Position Beginning of Year	6,900,044
Net Position End of Year	$6,654,212

CITY OF SAXMAN
Statement of Cash Flows
Enterprise Fund - Water and Sewer
For the Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash received from customers	175,565
Cash paid to suppliers	(103,427)
Cash paid to employees	(47,412)
Net Cash Provided by (Used in) Operating Activities	24,726
Cash Flows from Capital and Related Financing Activities	
Capital asset acquisitions	(27,961)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(27,961)
Cash Flows from Investing Activities	
Interest income	2
Net Cash Provided by (Used in) Investing Activities	2
Net Increase (Decrease) in Cash and Cash Equivalents	(3,233)
Cash and Cash Equivalents Beginning of Year	7,290
Cash and Cash Equivalents End of Year	$4,057

CITY OF SAXMAN
Statement of Cash Flows
Enterprise Fund - Water and Sewer
For the Year Ended June 30, 2015

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(256,567)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	274,715
(Increase) decrease in assets:	
Accounts receivable	(3,579)
Prepaid water and sewer	(1,307)
Increase (decrease) in liabilities:	
Accounts payable	6,707
Due from other funds	4,757
Total Adjustments	281,293
Net Cash Provided (Used) by Operating Activities	$24,726

Noncash Investing, Capital and Financing Activities
NONE

CITY OF SAXMAN
Statement of Net Position - Saxman Seaport Enterprise Fund
June 30, 2015

Assets	
Current Assets	
Cash and cash equivalents	163,090
Receivables, net	
Accounts	6,603
Total Current Assets	169,693
Noncurrent Assets	
Capital assets	
Depreciable, net	1,008,214
Total Noncurrent Assets	1,008,214
Total Assets	1,177,907
Deferred outflows related to pensions	(4,165)
Total Assets and Deferred Outflows	1,173,742
Liabilities	
Current Liabilities	
Accounts payable	63,042
Payroll and related payables	19,034
Unearned revenue	2,478
Revenue bond payable	5,000
Unamortized bond premium	1,406
Total Current Liabilities	90,960
Noncurrent Liabilities	
Net pension liability	91,381
Revenue bond payable	160,000
Unamortized bond premium	25,772
Total Noncurrent Liabilities	277,153
Total Liabilities	368,113
Deferred inflows, related to pensions	14,870
Total liabilities and deferred inflows	382,983
Net Position	
Net Investment in capital assets	843,214
Unrestricted	(52,455)
Total Net Position	$790,759

CITY OF SAXMAN
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Fund - Saxman Seaport
For the Year Ended June 30, 2015

Operating Revenues	
Rental and service	167,561
Total Operating Revenues	167,561
Operating Expenses	
Administrative	40,000
Payroll and employee benefits	41,181
Office supplies	4,938
Repairs and maintenance	5,802
Safety and security	373
Contract services	125
Utilities	29,829
Insurance	8,853
Professional	4,000
Miscellaneous	1,021
Depreciation	61,649
Total Operating Expenses	197,771
Operating Loss	(30,210)
Non-Operating Revenues (Expenses)	
Operating grant received from other government	10,616
Bond issue costs	(1,504)
Interest income	832
Interest expense	(3,277)
Total Non-Operating Revenues (Expenses)	6,667
Net Loss Before Contributions and Transfers	(23,543)
Change in Net Position	(23,543)
Net Position Beginning of Year, as Restated (Note 2-A)	814,302
Net Position End of Year	$790,759

CITY OF SAXMAN
Statement of Cash Flows
Enterprise Fund - Saxman Seaport
For the Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash received from customers	167,594
Cash paid to suppliers	(45,003)
Cash paid to employees	(27,069)
Net Cash Provided by (Used in) Operating Activities	95,522
Cash Flows from Capital and Related Financing Activities	
Bonds issued	192,178
Capital asset acquisitions	(234,742)
Interest paid	(3,277)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(45,841)
Cash Flows from Investing Activities	
Interest income	832
Net Cash Provided by (Used in) Investing Activities	832
Net Increase (Decrease) in Cash and Cash Equivalents	50,513
Cash and Cash Equivalents Beginning of Year	112,577
Cash and Cash Equivalents End of Year	$163,090

CITY OF SAXMAN
Statement of Cash Flows
Enterprise Fund - Saxman Seaport
For the Year Ended June 30, 2015

Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (Loss)	(30,210)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	61,649
State of Alaska on-behalf payments - PERS relief	10,616
Deferred outflows of resources for pensions	(1,604)
(Increase) decrease in assets:	
Accounts receivable	(2,445)
Increase (decrease) in liabilities	
Accrued expenses	3,496
Prepaid lease	2,478
Accounts payable	51,542
Total Adjustments	125,732
Net Cash Provided (Used) by Operating Activities	$95,522
Noncash Investing, Capital and Financiang Activities	
State of Alaska on-behalf payments - PERS relief	10,616
Disposal of fullly-depreciated capital assets	5,382

COMPLIANCE REPORT

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 Members of the City Council
City of Saxman
Saxman, 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 the City of Saxman, Alaska ("the City") 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, and have issued our report thereon dated March 29, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Teuscher Ruf & Walpole LLC

Ketchikan, Alaska
March 29, 2016