

CITY OF SELDOVIA, ALASKA

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

(With Independent Auditor's Report Thereon)

Year Ended June 30, 2015

CITY OF SELDOVIA, ALASKA

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Additional Supplementary Information,  
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Year Ended June 30, 2015

CITY OF SELDOVIA, ALASKA

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## **Independent Auditor's Report**

Honorable Mayor and City Council  
City of Seldovia  
Seldovia, Alaska

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Seldovia, Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Seldovia, Alaska's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Seldovia, Alaska, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 IV-F to the financial statements, in 2015 the City of Seldovia, Alaska adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date –an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedules of City's Proportionate Share of the Net Pension Liability and City's Contributions for the Public Employees' Retirement System on pages 32-33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Honorable Mayor and City Council  
City of Seldovia

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seldovia, Alaska's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Other Governmental Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), the Schedules of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget to Actual (where applicable) – Special Revenue Funds, and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Capital Project Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Schedule of State Financial Assistance is presented for purpose of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, are also not required parts of the financial statements.

The "Additional Supplementary Information" listed above 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 "Additional Supplementary Information" is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016, on our consideration of the City of Seldovia, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seldovia, Alaska' internal control over financial reporting and compliance.

*Altman, Rogers & Co.*

Anchorage, Alaska  
July 6, 2016

## CITY OF SELDOVIA, ALASKA

## Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
<u>Assets and Deferred Outflows of Resources</u>	
Current:	
Cash and cash equivalents	\$ 1,204,554
Accounts receivable, net	240,745
Inventory	506
Other	628
Total current	<u>1,446,433</u>
Long-term:	
Capital assets	21,909,934
Accumulated depreciation	<u>(8,319,264)</u>
Total long-term	<u>13,590,670</u>
Deferred outflows of resources-	
Pension deferrals	<u>13,457</u>
Total assets and deferred outflows of resources	<u>15,050,560</u>
<u>Liabilities and Deferred Inflows of Resources</u>	
Current:	
Accounts payable	7,905
Payroll and related liabilities	41,716
Unearned revenue	444,545
Other liabilities	27,131
Noncurrent liabilities due within one year - accrued leave	<u>45,987</u>
Total current	567,284
Long-term:	
Net pension liability	97,018
Deferred inflows of resources -	
Pension deferrals	<u>8,967</u>
Total liabilities and deferred inflows of resources	<u>673,269</u>
<u>Net Position</u>	
Net Investment in capital assets	13,590,670
Unrestricted	786,621
Total net position	<u>\$ 14,377,291</u>

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

## CITY OF SELDOVIA, ALASKA

## Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 313,464	31,668	2,158	-	(279,638)
Water	183,483	131,717	1,180	-	(50,586)
Wastewater	74,854	62,890	1,180	-	(10,784)
Municipal dock	65,556	60,145	311	-	(5,100)
Boat harbor	341,626	143,446	492	1,549,399	1,351,711
Boat haul out facility	28,235	38,286	98	-	10,149
Public safety	202,625	-	46,572	-	(156,053)
Public works	414,619	-	-	104,274	(310,345)
Public service	93,969	11,674	56,270	75,934	49,909
Total governmental activities	\$ <u>1,718,431</u>	<u>479,826</u>	<u>108,261</u>	<u>1,729,607</u>	<u>599,263</u>
General revenues:					
Taxes					313,332
Grants and entitlements not restricted to a specific purpose					115,896
Other					<u>48,416</u>
Total general revenues					<u>477,644</u>
Change in net position					1,076,907
Net position, beginning of year, as previous stated					<u>13,402,495</u>
Change in accounting principle					(102,111)
Net position, beginning of year, as restated					<u>13,300,384</u>
Net position, end of year					\$ <u><u>14,377,291</u></u>

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

## CITY OF SELDOVIA, ALASKA

## Balance Sheet - Governmental Funds

June 30, 2015

Assets	Capital Project Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Harbor Improvement	DOT Harbor	Denali Commission		
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,180,600	-	-	-	23,954	1,204,554
Receivables, net of allowances:						
Grants	219	-	88,256	-	63,796	152,271
Trade	-	-	29,703	-	58,771	88,474
Inventory	-	-	-	-	506	506
Other	568	-	-	-	60	628
Due from other funds	154,662	386,893	-	16,431	388,971	946,957
Total assets	<u>\$ 1,336,049</u>	<u>386,893</u>	<u>117,959</u>	<u>16,431</u>	<u>536,058</u>	<u>2,393,390</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	7,905	-	-	-	-	7,905
Payroll related liabilities	41,716	-	-	-	-	41,716
Unearned revenue	-	376,235	51,879	16,431	-	444,545
Other liabilities	27,131	-	-	-	-	27,131
Due to other funds	792,295	-	66,080	-	88,582	946,957
Total liabilities	<u>869,047</u>	<u>376,235</u>	<u>117,959</u>	<u>16,431</u>	<u>88,582</u>	<u>1,468,254</u>
Deferred inflows of resources:						
Unavailable revenues	-	-	-	-	44,184	44,184
Total liabilities and deferred inflows of resources	<u>869,047</u>	<u>376,235</u>	<u>117,959</u>	<u>16,431</u>	<u>132,766</u>	<u>1,512,438</u>
<b>Fund balances:</b>						
Nonspendable	-	-	-	-	506	506
Committed - Permanent Fund	701,806	-	-	-	-	701,806
Assigned	-	10,658	-	-	450,106	460,764
Unassigned (deficits)	(234,804)	-	-	-	(47,320)	(282,124)
Total fund balances	<u>467,002</u>	<u>10,658</u>	<u>-</u>	<u>-</u>	<u>403,292</u>	<u>880,952</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,336,049</u>	<u>386,893</u>	<u>117,959</u>	<u>16,431</u>	<u>536,058</u>	<u>2,393,390</u>

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

## CITY OF SELDOVIA, ALASKA

Reconciliation of Governmental Funds Balance Sheet to  
Statement of Net Position

Year Ended June 30, 2015

Total fund balances of governmental funds	\$ 880,952
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	13,590,670
Other long-term assets are not available to pay for current period expenditures and therefore are shown as deferred inflows of resources in the fund financial statements. These assets consist of:	
Delinquent receivables	44,184
Accrued leave is a long-term liability and is not due and payable in the current period and therefore is not reported as a fund liability.	(45,987)
Proportionate share of the collective net pension liability- PERS	(97,018)
Deferred inflows and outflows of resources are the results of timing differences in the actuarial report.	
Pension related assets in the current fiscal year are presented as deferred outflows of resources- PERS	13,457
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources- PERS	(8,967)
Net position of governmental activities	\$ <u><u>14,377,291</u></u>

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

## CITY OF SELDOVIA, ALASKA

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

Year Ended June 30, 2015

	Capital Project Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Harbor Improvement	DOT Harbor	Denali Commission		
<b>Revenues:</b>						
Intergovernmental:						
Federal sources	\$ -	-	-	776,494	112,277	888,771
State of Alaska	155,242	-	772,905	-	167,146	1,095,293
Kenai Peninsula Borough	-	-	-	-	10,770	10,770
Local sources:						
Taxes	312,363	-	-	-	-	312,363
Charges for services	24,568	-	-	-	448,158	472,726
Other	6,129	-	-	-	42,287	48,416
Total revenues	<u>498,302</u>	<u>-</u>	<u>772,905</u>	<u>776,494</u>	<u>780,638</u>	<u>2,828,339</u>
<b>Expenditures:</b>						
Current:						
General government	322,784	-	-	-	-	322,784
Water	-	-	-	-	137,094	137,094
Wastewater	-	-	-	-	53,859	53,859
Municipal dock	-	-	-	-	48,293	48,293
Boat harbor	-	-	-	-	178,870	178,870
Boat haul out facility	-	-	-	-	22,744	22,744
Public safety	117,014	-	-	-	63,947	180,961
Public works	283,681	-	-	-	-	283,681
Public service	32,583	-	-	-	61,386	93,969
Capital outlay	-	-	772,905	776,494	180,208	1,729,607
Total expenditures	<u>756,062</u>	<u>-</u>	<u>772,905</u>	<u>776,494</u>	<u>746,401</u>	<u>3,051,862</u>
Excess (deficiency) of revenues over expenditures	(257,760)	-	-	-	34,237	(223,523)
Fund balances, beginning of year	<u>724,762</u>	<u>10,658</u>	<u>-</u>	<u>-</u>	<u>369,055</u>	<u>1,104,475</u>
Fund balances, end of year	<u>\$ 467,002</u>	<u>10,658</u>	<u>-</u>	<u>-</u>	<u>403,292</u>	<u>880,952</u>

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

CITY OF SELDOVIA, ALASKA

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

Year Ended June 30, 2015

Net change in fund balances (deficits) - total governmental funds \$ (223,523)

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.

This is the amount by which capital outlay exceeded depreciation in the current period:

Capital outlay	1,761,592	
Depreciation expense	<u>(448,793)</u>	1,312,799

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

This represents the change in:

Unavailable revenues	(1,913)
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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 the governmental funds:

Accrued leave	(20,038)
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Net change in unfunded net pension liability:

PERS	503
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Amortization of federred inflows and outflows of resources:

PERS	918
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Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report.

Contributions to the pension plan in the current year are included in the financial statements and are presented as changes in deferred outflows of resources in the government-wide statements.

PERS	<u>8,161</u>
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Changes in net position of governmental activities	\$ <u><u>1,076,907</u></u>
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The notes to the financial statements are an integral part of this statement.

## CITY OF SELDOVIA, ALASKA

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

Year Ended June 30, 2015

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
State of Alaska	\$ 135,522	155,242	19,720
Local sources:			
Taxes	340,175	312,363	(27,812)
Charges for services	31,950	24,568	(7,382)
Other	9,050	6,129	(2,921)
Total revenues	<u>516,697</u>	<u>498,302</u>	<u>(18,395)</u>
Expenditures:			
Current:			
General government	152,818	322,784	(169,966)
Public safety	161,783	117,014	44,769
Public works	179,826	283,681	(103,855)
Public service	22,270	32,583	(10,313)
Total expenditures	<u>516,697</u>	<u>756,062</u>	<u>(239,365)</u>
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	(257,760)	<u>(257,760)</u>
Fund balance, beginning of year		<u>724,762</u>	
Fund balance, end of year		\$ <u><u>467,002</u></u>	

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

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements

June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Seldovia, Alaska was incorporated in 1964 under the laws of the State of Alaska as a first class city. The City operates under a council-manager form of government and provides a full range of services to its citizens including public safety, streets, water and sewer, boat harbor, dock and general administration.

The financial statements in this report are for the City of Seldovia, Alaska. There are no component units for which the City of Seldovia, Alaska is financially accountable, nor do any special financial relationships exist between the City and any other entity. The City Council is the governing body of the City of Seldovia, Alaska.

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

**B. Government-Wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been eliminated from the total columns in the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

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

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

## CITY OF SELDOVIA, ALASKA

### Notes to Financial Statements, Continued

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The City reports the following major governmental funds:

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

The *Harbor Improvement and DOT Harbor Capital Project Funds* account for improvements to the harbor.

The *Denali Commission Capital Project Fund* accounts for improvements to the harbor.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and state and federal entitlement revenues.

#### Use of Estimates

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

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

**D. Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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

**2. Short-term Interfund Receivables and Payables**

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

**3. Inventories and Prepaid Items**

Certain payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items. Inventory consists primarily of fire fighting supplies and is valued based on costs. The prepaid assets and inventory do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable in the fund financial statements.

**4. Grants and Other Intergovernmental Revenues**

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

**5. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of the calendar year in which they are levied. Taxes are levied on July 1 and are payable in two installments in August and November. Kenai Peninsula Borough collects the taxes for the City. Property tax revenues are recognized in the fiscal year for which they are levied and in which they become both measurable and available to finance expenditures of the fiscal year.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure are reported in the Government-Wide Financial Statements at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets costing greater than \$5,000 and are depreciated on the straight-line method in the Government-Wide Financial Statements. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives or are not individually greater than \$5,000 are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives in years for depreciable assets are as follows:

Buildings and Infrastructure	30 years
Improvements other than buildings	20-100 years
Vehicles and equipment	5 to 20 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**7. Unearned Revenue and Unavailable Revenues**

Unearned revenue arises when resources are received before the City has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when there is a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Governmental Funds report deferred inflows in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

**8. Compensated Absences**

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

**9. 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 fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

## CITY OF SELDOVIA, ALASKA

### Notes to Financial Statements, Continued

#### 10. Net Position

In the Government-Wide Financial Statements, net position is divided into three components:

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

#### 11. Fund Balance

In the Fund Financial Statements, fund balance includes five classifications as follows:

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

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

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

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

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

## CITY OF SELDOVIA, ALASKA

### Notes to Financial Statements, Continued

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

#### **12. Pension Plan**

Certain employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska, however, certain employees also participate in a Deferred Comp 457 Plan through ICMA.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

An operating budget is adopted each fiscal year for the General Fund and most Special Revenue Funds on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. Budgetary control is exercised at the department level. The City Manager is authorized to transfer budget amounts between line items within any department; however, any supplemental appropriations that amend the total expenditures of any department or fund require Council approval. The budgeted financial statements presented in this report reflect the final budget authorization, including any Council amendments made during the year.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except capital project funds, which normally adopt project-length budgets. An annual budget was not approved for the Volunteer Fire and EMS Special Revenue Fund. All annual appropriations lapse at fiscal year-end, except capital project funds, which adopt project-length budgets. Unexpended grant Special Revenue Funds are re-appropriated at the beginning of the year for any unexpended prior year appropriations.

Budgetary control is exercised at the department level. The City administrator is authorized to transfer budget amounts within a fund; however, any supplemental appropriations that amend the total expenditures of any fund require a City Council resolution. Reported budgeted amounts are as originally adopted or as amended by a City Council resolution. All amendments during the year were not considered significant.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2015, expenditures exceeded appropriations in the General Fund under the following function:

General Funds:	
General government	\$ 169,966
Public works	103,855
Public service	10,313

Expenditures exceeded appropriations for the following special revenue funds:

Water	\$ 27,973
Boat Harbor	13,120

Excess of expenditures over appropriations were funded through current year revenues and available fund balance for all funds except the Boat Harbor. The Boat Harbor will be funded with future operating transfers from the General Fund.

**C. Deficit Fund Balance**

The Boat Harbor has a deficit fund balance of \$47,320 at June 30, 2015. The deficit will be funded through future operating transfers from the General Fund.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Cash Equivalents**

The City participates in the Alaska Municipal League Investment Pool (AMLIP). The Alaska Municipal League Investment Pool, Inc., (AMLIP), represents the City's share of ownership in the pool rather than ownership of specific securities. AMLIP is considered to be an external investment pool as defined by Generally Accepted Accounting Principles. AMLIP is rated AAA for credit purposes. Regulatory oversight of the pool is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

*Investment Policy*

The City's investment policy, with respect to the principal of the Permanent Fund, authorizes investments in the following:

1. Bonds or other evidences of indebtedness of the United States or an agency or an instrumentality of the United States;
2. Bonds and other evidences of indebtedness issued by the State of Alaska;
3. Bonds or other evidences of indebtedness issued by the municipalities of the State of Alaska;

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

4. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which are secured as to payment of principal and interest in accordance with Alaska law and which is a member of the Federal Deposit Insurance Corporation, or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration; and
5. Bankers acceptances (bills of exchange or time drafts), if such obligations are eligible for purchase by the Federal Reserve System, and mature no more than two hundred seventy days from date of purchase.

At June 30, 2015, the City had the following cash and cash equivalents with financial institutions:

	<u>Carrying Balance</u>
Cash and cash equivalents:	
AML Investment Pool	\$ 666,698
Demand Deposits	532,197
Petty cash	<u>5,659</u>
Total	<u>\$ 1,204,554</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 or through the Securities Investor Protection Corporation (SIPC) up to \$500,000. At times the City's cash balances may have exceeded insured limits. As of June 30, 2015, \$21,743 of the City's deposits were subject to custodial credit risk.

**B. Accounts Receivables and Valuation Allowances**

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2015, receivables for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	DOT Harbor Capital Project Fund	Other Governmental Funds	Total
Receivables:				
Grants	\$ 219	88,256	63,796	152,271
Trade	-	29,703	169,411	199,114
Total receivables	<u>219</u>	<u>117,959</u>	<u>233,207</u>	<u>351,385</u>
Less: Allowance	<u>-</u>	<u>-</u>	<u>110,640</u>	<u>110,640</u>
Net receivables	<u>\$ 219</u>	<u>117,959</u>	<u>122,567</u>	<u>240,745</u>

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

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

		Unavailable	Unearned	Total
Harbor Improvement Capital Project Fund	\$	-	376,235	376,235
DOT Harbor Capital Project Fund		-	51,879	51,879
Denali Commission Capital Project Fund		-	16,431	16,431
Revenue not collected within 60 days of year end – Other Governmental Funds		44,184	-	44,184
Total	\$	<u>44,184</u>	<u>444,545</u>	<u>488,729</u>

**C. Capital Assets – Governmental activities**

A summary of changes in capital assets for the year ended June 30, 2015 follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,600,930	-	-	2,600,930
Construction in progress	541,495	1,729,607	200,836	2,070,266
Total capital assets, not being depreciated	<u>3,142,425</u>	<u>1,729,607</u>	<u>200,836</u>	<u>4,671,196</u>
Capital assets, being depreciated:				
Buildings and infrastructure	1,788,836	110,000	-	1,898,836
Machinery and equipment	1,073,459	31,985	-	1,105,444
Improvements other than buildings	14,143,622	90,836	-	14,234,458
Total capital assets, being depreciated	<u>17,005,917</u>	<u>232,821</u>	<u>-</u>	<u>17,238,738</u>
Less accumulated depreciation for:				
Buildings and infrastructure	1,229,685	45,070	-	1,274,755
Machinery and equipment	642,208	43,756	-	685,964
Improvements other than buildings	5,998,578	359,967	-	6,358,545
Total accumulated depreciation	<u>7,870,471</u>	<u>448,793</u>	<u>-</u>	<u>8,319,264</u>
Net capital assets, being depreciated	<u>9,135,446</u>	<u>(215,972)</u>	<u>-</u>	<u>8,919,474</u>
Total net governmental activities, capital assets	\$ <u>12,277,871</u>	<u>1,513,635</u>	<u>200,836</u>	<u>13,590,670</u>

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

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

Public safety	\$ 21,209
Public works	162,560
Water	50,707
Wastewater	25,313
Municipal dock	18,706
Boat harbor	164,465
Boat haul out facility	<u>5,833</u>
Total	\$ <u>448,793</u>

**D. Interfund Receivables/Payables and Transfers**

Interfund receivables and payables are shown as “Due To” and “Due From” in each of the individual funds. These balances for the primary government at June 30, 2015 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 88,582
General Fund	DOT Harbor Capital Project Fund	66,080
Harbor Improvement Capital Project Fund	General Fund	386,893
Denali Commission Capital Project Fund	General Fund	16,431
Other Governmental Funds	General Fund	<u>388,971</u>
Total		\$ <u>946,957</u>

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

Interfund receivables and payables were for short-term borrowings of cash at year end due to receivables. There were no interfund transfers at June 30, 2015.

**E. Long-Term Liabilities**

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2015 follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental activities:				
Accrued leave	\$ 25,948	50,065	30,026	<u>45,987</u>

## CITY OF SELDOVIA, ALASKA

### Notes to Financial Statements, Continued

#### **IV. OTHER INFORMATION**

##### **A. Permanent Fund**

In March 1996, Ordinance 96-13 was passed by the City Council establishing the City of Seldovia, Alaska Permanent Fund. The Permanent Fund was established to preserve in trust, assets of the City for the benefit of present and future generations of Seldovia residents. The first deposit to the Permanent Fund was made from the ANCSA 14-C (3) settlement. The Council may, from time to time, make deposits to the Fund in the same manner as it makes other appropriations. Principal of the Permanent Fund may only be appropriated for land acquisition and through passage of an ordinance. The Permanent Fund activity is included in the General Fund.

##### **B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the General Fund.

The City, from time to time, may be a participant in legal proceedings related to the conduct of business. In the normal course of business, it also has various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. In the opinion of management, the financial position of the City will not be materially affected by any current legal proceedings, commitments or contingent liabilities.

##### **C. Related Party Transactions**

Due to the nature and size of the community, it is inevitable that transactions will occur between related entities, City Council members, and/or employees of these entities. The services provided are not considered significant for individual disclosure.

##### **D. Employee Retirement Systems and Plans**

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

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

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

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

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

PERS act as the common investment and administrative agencies for the following multiple-employer plans:

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

**Other Postemployment Benefit Plans (OPBP)**

*Occupational Death and Disability Plan (DB)*

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

*Alaska Retiree Healthcare Trust Plan (DB)*

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

*Healthcare Reimbursement Arrangement Plan (DC)*

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

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

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

## CITY OF SELDOVIA, ALASKA

### Notes to Financial Statements, Continued

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

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

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

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

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

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

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

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

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

## CITY OF SELDOVIA, ALASKA

### Notes to Financial Statements, Continued

*Funding Policy.* In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

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

*Termination Costs.* If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2015 the past service rate is 20.90%.

*Employee Contribution Rate.* The City PERS active members are required to contribute 6.75% (3.85% pension costs and 2.90% OPEB) of their annual covered salary.

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

*Employer Effective Rate:* This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (12.54% pension costs and 9.46% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 44.03% (25.09% pension and 18.94% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

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

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

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

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2015	\$ 8,161	6,157	14,318
2014	5,144	5,493	10,637
2013	3,733	4,759	8,492

For the year ended June 30, 2015 the State of Alaska contributed \$43,272 or 42.41% (pension cost) on-behalf of the City, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2014 to a total of \$12,183 to represent the on-behalf contribution made by the State under the full accrual basis of accounting.

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

City's proportionate share of the net pension liability	\$	97,018
State's proportionate share of the net pension liability		<u>88,825</u>
Total	\$	<u>185,843</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014, the City's proportion was 0.002%, which is a increase of 0.081% from its proportion measured as of June 30, 2013.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

As of the measurement date of June 30, 2014, the City recognized pension expense of \$15,985 for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(8,967)
Changes in proportion and differences between City contributions and proportionate share of contributions	5,296	-
City contributions subsequent to the measurement date	<u>8,161</u>	<u>-</u>
Total	\$ <u><u>13,457</u></u>	<u><u>(8,967)</u></u>

\$8,161 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ 918
2017	918
2018	918
2019	<u>917</u>
Total	\$ <u><u>3,671</u></u>

For the year ended June 30, 2015, the City recognized \$918 of amortization of the deferred inflows and outflows of resources.

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

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

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

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

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

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

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ 127,210	97,018	71,594

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

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

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Members become vested in employers' contributions as follows:

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

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

	<u>Employer</u>	<u>Employee</u>
Defined contribution – pension (DC)	\$ 2,281	3,650
Other post-employment benefits (DB):		
Retiree medical plan	757	-
Occupational death and disability benefits	100	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	1,961	-
Defined benefit unfunded liability (DBUL)	<u>4,938</u>	<u>-</u>
	<u>\$ 10,037</u>	<u>3,650</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 57% pension and 43% OPEB.

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

		<u>Pensions</u>	<u>Other Post-Employment Benefits</u>	<u>Total</u>
2015	\$	5,096	4,941	10,037
2014		5,087	4,401	9,488
2013		5,000	4,100	9,100

Actual contributions were equal to the annual required contributions.

**E. Risk Management**

The City faces a considerable number of risks of loss, including: (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensations; i.e., employee injuries, and (f) medical insurance costs for employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for damage to and loss of property and contents, general liability, errors and omissions, and student accidents. Worker's compensation is also purchased as required by statute. The City has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

**F. Change In Accounting Principle**

As discussed in Note I-D-9 to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS). In 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflows and outflows of resources), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded a beginning balance adjustment to increase liabilities and to decrease beginning net position as follows:

Governmental Activities:

Beginning net position, as originally presented	\$	13,402,495
Change in accounting principle adjustment		<u>(102,111)</u>
Beginning net position, as restated	\$	<u>13,300,384</u>

**G. Contingencies**

A civil litigation case arose out of a dispute between the City and Precious Earth, Inc. relating to the obstruction of Rocky Street Road within the City, a violation of City Code. The City's general liability insurer, Alaska Municipal League Joint Insurance Association (AMLJIA) has retained counsel to defend against those counterclaims covered by the City's insurance policy and will pay any ultimate judgment that may be entered for any covered claims up to its policy limits. An evaluation of the likelihood of an outcome unfavorable to the City is neither probable nor remote.

**H. Subsequent Accounting Pronouncements**

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

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

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

- GASB 78 – *Pension Provided through Certain Multiple – Employer Defined Benefit Pension Plans*. Effective for fiscal years beginning after December 15, 2015.
- GASB 79 – *Certain External Investment Pools and Pool Participants*. Effective for fiscal years beginning after June 15, 2015.
- GASB 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. Effective for fiscal years beginning after June 15, 2016.
- GASB 81 – *Irrevocable Split –Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.

Statements 73, 76, 77, 78 and 81 are not expected to have any significant impact on the financial statements of the City.

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

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

GASB Statement No. 79 objectives are to enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use amortized cost exception to fair value measurement.

GASB Statement No. 80 – This statement amends the blending requirements for the financial statements presentation of component units of all State and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation when the primary government is the sole corporate member.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

## CITY OF SELDOVIA, ALASKA

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

## Public Employees' Retirement System

June 30, 2015

City's proportion of the net pension liability (asset)		0.0021%
City's proportionate share of net pension liability (asset)	\$	97,018
State's proportionate share of the net pension liability (asset) associated with the City		88,825
Total	\$	<u>185,843</u>
City's covered employee payroll	\$	14,318
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		678%
Plan fiduciary net position as a percentage of the total pension liability		62.37%

Notes to schedule

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

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

Contractually required contribution	\$	8,161
Contributions in relation to the contractually required contribution		(8,161)
Contribution deficiency (excess)		-
City's covered-employee payroll	\$	65,100
Contributions as a percentage of covered employee payroll		12.54%

Notes to schedule

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

**ADDITIONAL SUPPLEMENTARY  
INFORMATION**

## CITY OF SELDOVIA, ALASKA

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

Year Ended June 30, 2015

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
State revenue sharing	\$ 107,522	107,858	336
State PERS	-	28,126	28,126
Public safety assistance contract	20,000	10,000	(10,000)
Liquor license	5,000	7,100	2,100
Electric and telephone share	3,000	2,158	(842)
Total State of Alaska	<u>135,522</u>	<u>155,242</u>	<u>19,720</u>
Local sources:			
Taxes:			
Personal property taxes	45,000	9,726	(35,274)
Real property taxes	165,000	181,103	16,103
Sales tax revenue	125,000	117,065	(7,935)
Penalties and Interest	1,000	1,312	312
Motor vehicle tax	3,500	3,090	(410)
Sales tax penalty	675	67	(608)
Total taxes	<u>340,175</u>	<u>312,363</u>	<u>(27,812)</u>
Charges for services:			
Serving papers	175	65	(110)
Administration fees	8,075	1,873	(6,202)
Rents and leases	6,000	7,250	1,250
RV revenues	750	270	(480)
Equipment rental	2,500	296	(2,204)
Garbage services	13,000	13,646	646
Licenses, permits and fines	1,450	1,168	(282)
Total charges for services	<u>31,950</u>	<u>24,568</u>	<u>(7,382)</u>
Other:			
Penalty and interest	1,550	30	(1,520)
Miscellaneous	7,500	6,099	(1,401)
Total other	<u>9,050</u>	<u>6,129</u>	<u>(2,921)</u>
Total local revenue	<u>381,175</u>	<u>343,060</u>	<u>(38,115)</u>
Total revenues	<u>516,697</u>	<u>498,302</u>	<u>(18,395)</u>

(Continued)

## CITY OF SELDOVIA, ALASKA

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

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures:			
General government:			
Council:			
Salaries and wages	59,686	93,778	(34,092)
Employee benefits	32,271	31,967	304
Audit	400	335	65
Dues and fees	1,000	702	298
Insurance	235	340	(105)
Postage	100	108	(8)
Legal	250	-	250
Supplies	250	852	(602)
Travel and per diem	3,000	6,011	(3,011)
Telephone	100	282	(182)
Utilities	1,500	1,338	162
Frieght	50	-	50
Repairs	-	166	(166)
Bank card charges	-	109	(109)
Miscellaneous	-	128	(128)
Total council	<u>98,842</u>	<u>136,116</u>	<u>(37,274)</u>
Administration:			
Salaries and wages	16,500	73,155	(56,655)
Employee benefits	7,776	3,395	4,381
Audit	2,000	1,508	492
Contract services	750	5,094	(4,344)
Dues and fees	500	3,579	(3,079)
Equipment	500	2,885	(2,385)
Vehicle expenditures	200	1,005	(805)
Insurance	2,500	16,287	(13,787)
Legal	1,000	-	1,000
Postage	450	1,377	(927)
Supplies	1,500	1,330	170
Telephone	4,500	7,520	(3,020)
Travel and per diem	6,000	6,003	(3)
Utilities	7,000	20,004	(13,004)
Advertising	400	78	322
Freight	150	504	(354)
Technology upgrade	250	28,828	(28,578)
Repairs	-	199	(199)
Bank charges	2,000	8,034	(6,034)
Garabage services	-	500	(500)
Miscellaneous	-	5,383	(5,383)
Total administration	<u>53,976</u>	<u>186,668</u>	<u>(132,692)</u>
Total general government	<u>152,818</u>	<u>322,784</u>	<u>(169,966)</u>

(Continued)

## CITY OF SELDOVIA, ALASKA

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

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Expenditures, continued:			
Public safety:			
Fire:			
Salaries and wages	10,181	10,499	(318)
Employee benefits	6,159	5,950	209
Audit	750	335	415
Contract services	1,000	929	71
Dues and fees	50	-	50
Vehicle expenditures	775	196	579
Insurance	3,000	1,529	1,471
Postage	100	-	100
Supplies	100	251	(151)
Telephone	1,000	1,792	(792)
Utilities	5,373	4,260	1,113
Repairs	500	104	396
Freight	100	-	100
Miscellaneous	-	387	(387)
Total fire	<u>29,088</u>	<u>26,232</u>	<u>2,856</u>
Emergency medical services:			
Salaries and wages	3,122	3,952	(830)
Employee benefits	3,441	5,052	(1,611)
Audit	750	335	415
Contract services	125	-	125
Vehicle expenditures	250	168	82
Insurance	3,000	1,699	1,301
Postage	50	-	50
Supplies	30	157	(127)
Travel and per diem	-	214	(214)
Telephone	800	780	20
Utilities	2,500	1,891	609
Repairs	250	18	232
Total emergency medical services	<u>14,318</u>	<u>14,266</u>	<u>52</u>

(Continued)

## CITY OF SELDOVIA, ALASKA

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

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures, continued:			
Public safety, continued:			
Police:			
Salaries and wages	64,595	43,022	21,573
Employee benefits	24,732	15,465	9,267
Audit	2,500	1,508	992
Contract services	300	-	300
Dues and fees	75	-	75
Equipment	500	1,531	(1,031)
Vehicle expenditures	2,000	-	2,000
Insurance	16,500	7,267	9,233
Postage	100	-	100
Supplies	750	573	177
Telephone	2,000	2,192	(192)
Travel and per diem	1,500	796	704
Utilities	2,250	2,080	170
Repairs	500	76	424
Freight	75	51	24
Miscellaneous	-	1,955	(1,955)
Total police	<u>118,377</u>	<u>76,516</u>	<u>41,861</u>
Total public safety	<u>161,783</u>	<u>117,014</u>	<u>44,769</u>
Public works:			
Salaries and wages	72,277	173,255	(100,978)
Employee benefits	34,134	44,246	(10,112)
Audit	2,500	1,340	1,160
Contractual services	75	794	(719)
Dues and fees	15	-	15
Equipment purchases	4,000	9,277	(5,277)
Vehicle expenditures	13,500	-	13,500
Insurance	5,500	-	5,500
Legal	-	22,530	(22,530)
Postage	75	108	(33)
Supplies	4,500	6,004	(1,504)
Telephone	750	-	750
Travel and per diem	750	132	618
License, permits, and fines	250	-	250
Utilities	32,000	22,870	9,130
Freight	2,000	353	1,647
Repairs	1,000	130	870
Snow removal	6,500	2,444	4,056
Miscellaneous	-	198	(198)
Total public works	<u>179,826</u>	<u>283,681</u>	<u>(103,855)</u>

(Continued)

## CITY OF SELDOVIA, ALASKA

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

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures, continued:			
Public service:			
Library:			
Salaries and wages	1,109	1,608	(499)
Employee benefits	533	230	303
Supplies	-	6	(6)
Repairs	-	371	(371)
Freight	-	14	(14)
Utilities	6,450	17,583	(11,133)
Total library	<u>8,092</u>	<u>19,812</u>	<u>(11,720)</u>
Clinic:			
Salaries and wages	-	821	(821)
Employee benefits	-	372	(372)
Legal	500	1,500	(1,000)
Supplies	-	195	(195)
Utilities	7,614	5,106	2,508
Telephone	-	276	(276)
Travel and per diem	-	166	(166)
Repairs	100	113	(13)
Miscellaneous	-	206	(206)
Total clinic	<u>8,214</u>	<u>8,755</u>	<u>(541)</u>
Parks:			
Salaries and wages	3,000	3,312	(312)
Employee benefits	1,464	523	941
Supplies	-	73	(73)
Utilities	-	108	(108)
Repairs	500	-	500
Garabge services	750	-	750
Miscellaneous	250	-	250
Total parks	<u>5,964</u>	<u>4,016</u>	<u>1,948</u>
Total public service	<u>22,270</u>	<u>32,583</u>	<u>(10,313)</u>
Total expenditures	<u>516,697</u>	<u>756,062</u>	<u>(239,365)</u>
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	(257,760)	<u>(257,760)</u>
Fund balance, beginning of year		<u>724,762</u>	
Fund balance, end of year		\$ <u><u>467,002</u></u>	

CITY OF SELDOVIA, ALASKA

Other Governmental Funds

Combining Balance Sheet

June 30, 2015

	Special Revenue Funds										Total Special Revenue Funds	
	Senior Meals	LWCF RV Park	Comprehensive Plan	Volunteer Fire and EMS	Water	Wastewater	Dock	Boat Haul Out	Boat Harbor	Police Vehicle		
<u>Assets</u>												
Cash and cash equivalents	\$ -	-	-	23,954	-	-	-	-	-	-	-	23,954
Receivables:												
Grants	-	7,047	88	-	-	-	-	-	-	31,985	-	39,120
Trade	-	-	-	-	-	-	-	58,771	-	-	-	58,771
Inventory	-	-	-	506	-	-	-	-	-	-	-	506
Other current assets	-	-	-	60	-	-	-	-	-	-	-	60
Due from other funds	10,843	-	-	-	61,863	91,973	158,922	61,932	-	-	-	385,533
Total assets	<u>\$ 10,843</u>	<u>7,047</u>	<u>88</u>	<u>24,520</u>	<u>61,863</u>	<u>91,973</u>	<u>158,922</u>	<u>120,703</u>	<u>-</u>	<u>31,985</u>	<u>-</u>	<u>507,944</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</u>												
Liabilities:												
Due to other funds	-	7,047	88	-	-	-	-	-	24,786	31,985	-	63,906
Deferred inflows of resources:												
Unavailable revenues	-	-	-	-	4,418	2,209	-	15,023	22,534	-	-	44,184
Total liabilities and deferred inflows of resources	<u>-</u>	<u>7,047</u>	<u>88</u>	<u>-</u>	<u>4,418</u>	<u>2,209</u>	<u>-</u>	<u>15,023</u>	<u>47,320</u>	<u>31,985</u>	<u>-</u>	<u>108,090</u>
Fund balances (deficit):												
Nonspendable	-	-	-	506	-	-	-	-	-	-	-	506
Assigned	10,843	-	-	24,014	57,445	89,764	158,922	105,680	-	-	-	446,668
Unassigned	-	-	-	-	-	-	-	-	(47,320)	-	-	(47,320)
Total fund balances (deficit)	<u>10,843</u>	<u>-</u>	<u>-</u>	<u>24,520</u>	<u>57,445</u>	<u>89,764</u>	<u>158,922</u>	<u>105,680</u>	<u>(47,320)</u>	<u>-</u>	<u>-</u>	<u>399,854</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 10,843</u>	<u>7,047</u>	<u>88</u>	<u>24,520</u>	<u>61,863</u>	<u>91,973</u>	<u>158,922</u>	<u>120,703</u>	<u>-</u>	<u>31,985</u>	<u>-</u>	<u>507,944</u>

(Continued)

CITY OF SELDOVIA, ALASKA

Other Governmental Funds

Combining Balance Sheet, Continued

	<u>Capital Project Funds</u>					
	Gateway Pavillion	Designated Legislative Grant	Value Added Manufacturing	Major Maintenance	Total Capital Project Funds	Total Other Governmental Funds
<u>Assets</u>						
Cash and cash equivalents	\$ -	-	-	-	-	23,954
Receivables						
Grants	21,733	2,365	578	-	24,676	63,796
Other	-	-	-	-	-	58,771
Inventory	-	-	-	-	-	506
Other	-	-	-	-	-	60
Due from other funds	-	-	-	3,438	3,438	388,971
Total assets	<u>\$ 21,733</u>	<u>2,365</u>	<u>578</u>	<u>3,438</u>	<u>28,114</u>	<u>536,058</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</u>						
Liabilities:						
Due to other funds	21,733	2,365	578	-	24,676	88,582
Deferred inflows of resources:						
Unavailable revenues	-	-	-	-	-	44,184
Total liabilities and deferred inflows of resources	<u>21,733</u>	<u>2,365</u>	<u>578</u>	<u>-</u>	<u>24,676</u>	<u>132,766</u>
Fund balances (deficit):						
Nonspendable	-	-	-	-	-	506
Assigned	-	-	-	3,438	3,438	450,106
Unassigned	-	-	-	-	-	(47,320)
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,438</u>	<u>3,438</u>	<u>403,292</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 21,733</u>	<u>2,365</u>	<u>578</u>	<u>3,438</u>	<u>28,114</u>	<u>536,058</u>

CITY OF SELDOVIA, ALASKA

Other Governmental Funds

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

Year Ended June 30, 2015

Special Revenue Funds										
	Senior Meals	LWCF RV Park	Volunteer Fire and EMS	Water	Boat Haul Out	Wastewater	Dock	Boat Harbor	Police Vehicle	Total Special Revenue Funds
Revenues:										
Intergovernmental	\$									
Federal sources	24,682	7,566	4,095	-	-	-	-	-	-	36,343
State of Alaska	12,859	-	-	5,409	433	5,409	4,613	2,164	31,985	62,872
Kenai Peninsula Borough	10,770	-	-	-	-	-	-	-	-	10,770
Local sources:										
Charges for services	11,674	-	-	131,717	38,286	62,890	60,145	143,446	-	448,158
Other	-	-	35,327	314	450	550	-	5,646	-	42,287
Total revenues	<u>59,985</u>	<u>7,566</u>	<u>39,422</u>	<u>137,440</u>	<u>39,169</u>	<u>68,849</u>	<u>64,758</u>	<u>151,256</u>	<u>31,985</u>	<u>600,430</u>
Expenditures:										
Current:										
Water	-	-	-	137,094	-	-	-	-	-	137,094
Wastewater	-	-	-	-	-	53,859	-	-	-	53,859
Municipal dock	-	-	-	-	-	-	48,293	-	-	48,293
Boat harbor	-	-	-	-	-	-	-	178,870	-	178,870
Boat haul out facility	-	-	-	-	22,744	-	-	-	-	22,744
Public safety	-	-	31,962	-	-	-	-	-	31,985	63,947
Public service	53,820	7,566	-	-	-	-	-	-	-	61,386
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>53,820</u>	<u>7,566</u>	<u>31,962</u>	<u>137,094</u>	<u>22,744</u>	<u>53,859</u>	<u>48,293</u>	<u>178,870</u>	<u>31,985</u>	<u>566,193</u>
Excess (deficiency) of revenues over expenditures	6,165	-	7,460	346	16,425	14,990	16,465	(27,614)	-	34,237
Fund balances (deficit), beginning of year	4,678	-	17,060	57,099	89,255	74,774	142,457	(19,706)	-	365,617
Fund balances (deficit), end of year	<u>\$ 10,843</u>	<u>-</u>	<u>24,520</u>	<u>57,445</u>	<u>105,680</u>	<u>89,764</u>	<u>158,922</u>	<u>(47,320)</u>	<u>-</u>	<u>399,854</u>

(Continued)

## CITY OF SELDOVIA, ALASKA

## Other Governmental Funds

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

	Capital Project Fund			Total Capital Project Funds	Total Other Governmental Funds
	Gateway Pavilion	Value Added Manufacturing	Major Maintenance		
Revenues:					
Intergovernmental					
Federal sources	\$ 75,934	-	-	75,934	112,277
State of Alaska	-	104,274	-	104,274	167,146
Kenai Peninsula Borough	-	-	-	-	10,770
Local sources:					
Charges for services	-	-	-	-	448,158
Other	-	-	-	-	42,287
Total revenues	<u>75,934</u>	<u>104,274</u>	<u>-</u>	<u>180,208</u>	<u>780,638</u>
Expenditures:					
Current:					
Water	-	-	-	-	137,094
Wastewater	-	-	-	-	53,859
Municipal dock	-	-	-	-	48,293
Boat harbor	-	-	-	-	178,870
Boat haul out facility	-	-	-	-	22,744
Public safety	-	-	-	-	63,947
Public service	-	-	-	-	61,386
Capital outlay	<u>75,934</u>	<u>104,274</u>	<u>-</u>	<u>180,208</u>	<u>180,208</u>
Total expenditures	<u>75,934</u>	<u>104,274</u>	<u>-</u>	<u>180,208</u>	<u>746,401</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	34,237
Fund balances (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>3,438</u>	<u>3,438</u>	<u>369,055</u>
Fund balances (deficit), end of year	<u>\$ -</u>	<u>-</u>	<u>3,438</u>	<u>3,438</u>	<u>403,292</u>

## CITY OF SELDOVIA, ALASKA

## Senior Meals Special Revenue Fund

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

Year Ended June 30, 2015

	Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Intergovernmental:			
Federal sources passed through the			
State of Alaska	\$ 24,682	24,682	-
State of Alaska	13,026	12,859	(167)
Kenai Peninsula Borough	10,770	10,770	-
Local sources:			
Charges for services	<u>13,733</u>	<u>11,674</u>	<u>(2,059)</u>
Total revenues	<u>62,211</u>	<u>59,985</u>	<u>(2,226)</u>
Expenditures:			
Current:			
Public service:			
Salaries and wages	26,921	26,089	832
Employee benefits	4,534	4,534	-
Repairs	1,000	84	916
Supplies	28,336	17,516	10,820
Utilities	420	2,677	(2,257)
Insurance	-	340	(340)
Freight	1,000	2,255	(1,255)
Dues and fees	<u>-</u>	<u>325</u>	<u>(325)</u>
Total expenditures	<u>62,211</u>	<u>53,820</u>	<u>8,391</u>
Excess of revenues over expenditures	\$ <u>-</u>	6,165	<u>6,165</u>
Fund balance, beginning of year		<u>4,678</u>	
Fund balance, end of year		\$ <u>10,843</u>	

CITY OF SELDOVIA, ALASKA

LWCF RV Park Special Revenue Fund

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

Year Ended June 30, 2015

	Budgeted Amounts	Actual		Variance with Budget- Positive (Negative)	
		Prior Year	Actual Amounts		Total
Revenues - Intergovernmental - Federal sources passed through the State of Alaska	\$ 98,280	76,425	7,566	83,991	(14,289)
Expenditures:					
Current:					
Public service:					
Salaries and wages		4,302	1,116	5,418	
Employee benefits		1,628	503	2,131	
Contract services		61,252	-	61,252	
Equipment		5,701	-	5,701	
Supplies		1,190	126	1,316	
Travel and per diem		132	-	132	
Utilities		1,275	75	1,350	
Freight		485	423	908	
Miscellaneous		460	5,323	5,783	
Total expenditures	98,280	76,425	7,566	83,991	14,289
Excess of revenues over expenditures	\$ -	-	-	-	-
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

## CITY OF SELDOVIA, ALASKA

## Volunteer Fire and EMS Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance

Year Ended June 30, 2015

Revenues:	
Intergovernmental - federal sources through the State of Alaska	\$ 4,095
Local sources:	
Other	<u>35,327</u>
Total revenues	<u>39,422</u>
Expenditures:	
Current:	
Public safety:	
Equipment	10,541
Supplies	3,704
Pull-tab purchase	8,823
Training	1,392
Freight	377
Fundraising	3,084
License and permits	207
Travel and per diem	459
Miscellaneous	<u>3,375</u>
Total expenditures	<u>31,962</u>
Excess of revenues over expenditures	7,460
Fund balance, beginning of year	<u>17,060</u>
Fund balance, end of year	<u>\$ 24,520</u>

## CITY OF SELDOVIA, ALASKA

## Water Special Revenue Fund

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

Year Ended June 30, 2015

	Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
Revenues:			
Intergovernmental - State of Alaska	\$ -	5,409	5,409
Local sources:			
Charges for services	108,800	131,717	22,917
Other	-	314	314
Total revenues	<u>108,800</u>	<u>137,440</u>	<u>28,640</u>
Expenditures:			
Current:			
Water:			
Salaries and wages	43,543	67,722	(24,179)
Employee benefits	23,157	21,208	1,949
Audit fees	8,500	4,355	4,145
Dues and fees	250	386	(136)
Equipment	1,000	1,585	(585)
Vehicle expenditures	1,200	-	1,200
Contract services	-	321	(321)
Monitoring and testing	8,000	6,961	1,039
Insurance	2,000	1,020	980
Supplies	4,250	14,469	(10,219)
Postage	500	331	169
Travel and per diem	500	1,289	(789)
Utilities	9,250	13,083	(3,833)
Training	500	50	450
Repairs	3,400	-	3,400
Freight	2,000	4,119	(2,119)
License and permits	750	150	600
Fuel	-	45	(45)
Total expenditures	<u>108,800</u>	<u>137,094</u>	<u>(28,294)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>346</u>	<u>346</u>
Fund balance, beginning of year		<u>57,099</u>	
Fund balance, end of year		<u>\$ 57,445</u>	

## CITY OF SELDOVIA, ALASKA

## Boat Haul Out Special Revenue Fund

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

Year Ended June 30, 2015

	Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
Revenues:			
Intergovernmental - State of Alaska	\$ -	433	433
Local sources:			
Charges for services	34,796	38,286	3,490
Other	-	450	450
Total revenues	<u>34,796</u>	<u>39,169</u>	<u>4,373</u>
Expenditures:			
Current:			
Boat haul out facility:			
Salaries and wages	18,851	8,108	10,743
Employee benefits	4,349	3,696	653
Audit fees	800	670	130
Vehicle expenditures	300	12	288
Equipment	2,500	2,577	(77)
Insurance	2,500	1,189	1,311
Legal	50	-	50
Supplies	-	512	(512)
Postage	-	83	(83)
Utilities	2,250	4,319	(2,069)
Repairs	3,096	1,578	1,518
Freight	100	-	100
Total expenditures	<u>34,796</u>	<u>22,744</u>	<u>12,052</u>
Excess of revenues over expenditures	<u>\$ -</u>	16,425	<u>16,425</u>
Fund balance, beginning of year		<u>89,255</u>	
Fund balance, end of year		<u>\$ 105,680</u>	

## CITY OF SELDOVIA, ALASKA

## Wastewater Special Revenue Fund

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

Year Ended June 30, 2015

	Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
Revenues:			
Intergovernmental - State of Alaska	\$ -	5,409	5,409
Local sources:			
Charges for services	63,000	62,890	(110)
Other	-	550	550
Total revenues	<u>63,000</u>	<u>68,849</u>	<u>5,849</u>
Expenditures:			
Current:			
Wastewater:			
Salaries and wages	31,489	34,357	(2,868)
Employee benefits	14,711	9,510	5,201
Audit fees	8,000	4,188	3,812
Dues and fees	100	-	100
Vehicle expenditures	100	99	1
Insurance	2,000	1,020	980
Postage	400	331	69
Supplies	75	538	(463)
Travel and per diem	-	232	(232)
Utilities	5,000	3,577	1,423
Repairs	1,000	-	1,000
Freight	125	7	118
Total expenditures	<u>63,000</u>	<u>53,859</u>	<u>9,141</u>
Excess of revenues over expenditures	<u>\$ -</u>	14,990	<u>14,990</u>
Fund balance, beginning of year		<u>74,774</u>	
Fund balance, end of year		<u>\$ 89,764</u>	

## CITY OF SELDOVIA, ALASKA

## Dock Special Revenue Fund

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

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance with Budget- Positive (Negative)
Revenues:			
Intergovernmental - State of Alaska	\$ -	4,613	4,613
Local sources:			
Charges for services	<u>68,300</u>	<u>60,145</u>	<u>(8,155)</u>
Total revenues	<u>68,300</u>	<u>64,758</u>	<u>(3,542)</u>
Expenditures:			
Current:			
Municipal dock:			
Salaries and wages	39,946	30,917	9,029
Employee benefits	9,321	9,071	250
Audit fees	1,500	838	662
Insurance	1,000	510	490
Equipment	-	500	(500)
Supplies	-	457	(457)
Telephone	500	276	224
Utilities	7,000	5,660	1,340
Repairs	9,033	-	9,033
Freight	-	64	(64)
Total expenditures	<u>68,300</u>	<u>48,293</u>	<u>20,007</u>
Excess of revenues over expenditures	<u>\$ -</u>	16,465	<u>16,465</u>
Fund balance, beginning of year		<u>142,457</u>	
Fund balance, end of year		<u>\$ 158,922</u>	

## CITY OF SELDOVIA, ALASKA

## Boat Harbor Special Revenue Fund

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

Year Ended June 30, 2015

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental - State of Alaska	\$ -	2,164	2,164
Local sources:			
Charges for services	165,750	143,446	(22,304)
Other	-	5,646	5,646
Total revenues	<u>165,750</u>	<u>151,256</u>	<u>(14,494)</u>
Expenditures:			
Current:			
Boat harbor:			
Salaries and wages	69,487	83,984	(14,497)
Employee benefits	31,823	34,244	(2,421)
Audit fees	2,500	1,340	1,160
Dues and fees	50	166	(116)
Equipment	1,200	100	1,100
Insurance	7,000	6,139	861
Postage	200	166	34
Supplies	350	8,086	(7,736)
License	6,000	8,784	(2,784)
Contract services	1,000	200	800
Telephone	100	413	(313)
Utilities	37,840	31,778	6,062
Garbage	3,000	-	3,000
Repairs	4,000	1,790	2,210
Freight	200	393	(193)
Miscellaneous	1,000	1,287	(287)
Total expenditures	<u>165,750</u>	<u>178,870</u>	<u>(13,120)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>(27,614)</u>	<u>(27,614)</u>
Fund balance (deficit), beginning of year		<u>(19,706)</u>	
Fund balance (deficit), end of year		<u>\$ (47,320)</u>	

CITY OF SELDOVIA, ALASKA

Police Vehicle Special Revenue Fund

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

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental - State of Alaska	\$ 45,500	31,985	(13,515)
Expenditures:			
Current:			
Public safety:			
Equipment	45,500	31,985	13,515
Excess of revenues over expenditures	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

## CITY OF SELDOVIA, ALASKA

## Gateway Pavilion Capital Project Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance

Year Ended June 30, 2015

Revenues - Intergovernmental - Federal sources passed through the State of Alaska	\$ <u>75,934</u>
Expenditures:	
Capital outlay:	
Salaries and wages	41,347
Employee benefits	4,186
Contract services	7,097
Supplies	1,497
Freight	159
Miscellaneous	<u>21,648</u>
Total expenditures	<u>75,934</u>
Excess of revenues over expenditures	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>

CITY OF SELDOVIA, ALASKA

Value Added Manufacturing Plant Capital Project Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance

Year Ended June 30, 2015

Revenues - Intergovernmental - State of Alaska	\$ <u>104,274</u>
Expenditures:	
Capital outlay:	
Business center environment	103,696
Salaries and wages	411
Employee benefits	46
Supplies	<u>121</u>
Total expenditures	<u>104,274</u>
Excess of revenues over expenditures	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>

CITY OF SELDOVIA, ALASKA  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2015

<u>Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>Federal Expenditures</u>
Denali Commission Direct:				
Seldovia Harbor Improvements	01430-00	90.100	\$ <u>1,843,054</u>	<u>776,494</u>
U.S. Department of Transportation - Passed through the State of Alaska - Department of Transportation and Public Facilities	SB-AK12(2)	20.999	<u>234,175</u>	<u>75,934</u>
U.S. Department of Agriculture - Passed through the State of Alaska - Department of Natural Resources	None	10.664	<u>4,095</u>	<u>4,095</u>
U.S. Department of the Interior - Passed through the State of Alaska - Department of Natural Resources	02-00402	15.999	<u>98,180</u>	<u>7,566</u>
U.S. Department of Health and Human Services: Passed through the State of Alaska - Department of Health and Social Services	607-309-1526	93.045	<u>24,682</u>	<u>24,682</u>
Total federal expenditures			\$ <u><u>2,204,186</u></u>	<u><u>888,771</u></u>

Notes to Schedule

1. This schedule was prepared on the modified accrual basis of accounting.
2. None of these amounts were passed through to subrecipients.

## CITY OF SELDOVIA, ALASKA

## Schedule of State Financial Assistance

Year Ended June 30, 2015

<u>Grant Title</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Expenditures</u>
Department of Commerce, Community and Economic Development:			
* Value Added Manufacturing Plant	13-DC-338	\$ 330,000	104,274
Fully Equipped Police Vehicle	15-DC-142	45,500	31,985
Shared Fish Tax	None	2,882	2,882
* State Revenue Sharing	None	107,858	107,828
Total Department of Commerce, Community and Economic Development		486,240	246,969
Department of Health and Social Services:			
Nutrition, Transportation and Support Services	607-309-1526	13,026	12,859
Department of Transportation and Public Facilities:			
* DOT Harbor Improvements	13-HGH-001	1,000,000	772,905
Department of Administration:			
PERS on Behalf	None	43,272	43,272
Department of Revenue:			
Liquor Licenses	None	7,100	7,100
Electric and Telephone Share	None	2,158	2,158
Total Department of Revenue		9,258	9,258
Total State Financial Assistance		\$ 1,551,796	1,085,263
Reconciliation from State Financial Assistance to State of Alaska revenues, Exhibit D-1:			
Above expenditures, per schedule		\$ 1,085,263	
Plus: Public Safety Contract		10,000	
Total State of Alaska revenue Exhibit D-1		\$ 1,095,263	

Notes to the Schedule

1. \* Denotes a major program.
2. No funding was passed through to subrecipients.

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

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Seldovia  
Seldovia, 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, each major fund, and the aggregate remaining fund information of the City of Seldovia, Alaska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Seldovia, Alaska's basic financial statements and have issued our report thereon dated July 6, 2016.

**Internal Control over Financial Reporting**

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

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

Honorable Mayor and City Council  
City of Seldovia

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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Anchorage, Alaska  
July 6, 2016

**Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133**

**Independent Auditor's Report**

Members of the Board of Commissioners  
City of Seldovia, Alaska  
Anchorage, Alaska

Members of the Board of Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited City of Seldovia, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Seldovia, Alaska's major federal programs for the year ended June 30, 2015. City of Seldovia, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Seldovia, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, & Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Seldovia, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Seldovia, Alaska's compliance.

### **Basis for Qualified Opinion on Seldovia Harbor Improvements CFDA #90.100**

As described in the accompanying Federal Schedule of Findings and Questioned Costs, City of Seldovia, Alaska did not comply with requirements regarding reporting for the Seldovia Harbor Improvements CFDA #90.100 as described in Finding 2015-001. Compliance with such requirements is necessary, in our opinion, for City of Seldovia, Alaska to comply with the requirements applicable to that program.

### ***Qualified Opinion on Seldovia Harbor Improvements CFDA #90.100***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Seldovia, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Seldovia Harbor Improvements CFDA #90.100 for the year ended June 30, 2015.

### **Other Matters**

City of Seldovia, Alaska's response to the noncompliance finding identified in our audit is described in the accompanying Federal Schedule of Findings and Questioned Costs and the Corrective Action Plan. City of Seldovia, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of City of Seldovia, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Seldovia, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Seldovia, Alaska's internal control over compliance.

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

Honorable Mayor and City Council  
City of Seldovia

Our consideration of internal control over compliance was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Federal Schedule of Findings and Questioned Costs as Finding 2015-001 that we consider to be a material weakness.

City of Seldovia, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying Federal Schedule of Findings and Questioned Costs and the Corrective Action Plan. City of Seldovia, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska  
July 6, 2016

CITY OF SELDOVIA, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Is a going concern emphasis-of-matter paragraph  
Included in the audit report?      Yes   X   No

Internal control over financial reporting:  
Material weakness(es) identified?      Yes   X   No  
Significant deficiency(ies) identified?      Yes   X   None noted

Noncompliance material to financial statements noted?      Yes   X   No

Federal Awards

Internal Control over major programs:  
Material weakness(es) identified  
(Section .510 (a)(1))?   X   Yes      No  
Significant deficiency(ies) identified  
(Section .510 (a)(1))?      Yes   X   None noted

Any material noncompliance with provisions of laws,  
regulations, contracts, or grant agreements related  
to a major program (Section .510 (a)(2))?   X   Yes      No

Type of auditor’s report issued on compliance  
for major programs: Qualified

Are any questioned costs reported in accordance with  
Circular A-133, Section .510(a) (3) or (4)?      Yes   X   No

Identification of major programs:  
CFDA Number(s)/Cluster Name of Federal Program or Cluster  
90.100 Denali Commission – Seldovia Harbor  
Improvements

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?      Yes   X   No

CITY OF SELDOVIA, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

**Section II – Financial Statement Findings**

The City of Seldovia, Alaska did not have any findings that related to the financial statements.

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2015-001**

**Internal Controls and Compliance over Reporting**

**Material Weakness/**

**Material Noncompliance**

**Condition:** The City did not engage a qualified audit firm within the required timeline to complete and submit the audit in a timely manner.

**Criteria:** An entity that expends a cumulative total of \$500,000 or more shall submit an audit report for the audit period by the earlier of 30 days after the entity receives its audit report for the audit period; or nine months after the end of the audit period or a later date agreed upon in writing and advance of the date in this section.

**Questioned Costs:** None.

**Context:** The audit firm was engaged to perform an audit in accordance with A-133 more than nine months after the audit period.

**Cause:** The City did not have controls in place to identify the requirements of A-133 threshold.

**Effect:** The City is not in compliance with the reporting requirement of A-133.

**Recommendation:** The City needs to adjust the accounting records timely, arrange for an annual audit and submit the reporting package within the guidelines as outlined in A-133.

**Management response:** Management concurs with finding, see corrective action plan.

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

The City of Seldovia, Alaska did not have any prior year audit findings.

**Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Seldovia  
City of Seldovia, Alaska

**Report on Compliance for Each Major State Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

### **Basis for Qualified Opinion on All Major State Programs**

As described in the accompanying State Schedule of Findings and Questioned Costs, City of Seldovia, Alaska did not comply with requirements regarding reporting as described in Finding 2015-002. Compliance with such requirements is necessary, in our opinion, for City of Seldovia, Alaska to comply with the requirements applicable to all major state programs.

### ***Qualified Opinion on All Major State Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Seldovia, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on all major state programs for the year ended June 30, 2015.

### **Other Matters**

City of Seldovia, Alaska's response to the noncompliance finding identified in our audit is described in the accompanying State Schedule of Findings and Questioned Costs and the Corrective Action Plan. City of Seldovia, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, according, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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

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

Honorable Mayor and City Council  
City of Seldovia

Our consideration of internal control over compliance was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying State Schedule of Findings and Questioned Costs as Finding 2015-002 that we consider to be a material weakness.

City of Seldovia, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying State Schedule of Findings and Questioned Costs and the Corrective Action Plan. City of Seldovia, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Anchorage, Alaska  
July 6, 2016

CITY OF SELDOVIA, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Is a going concern emphasis-of-matter paragraph  
Included in the audit report  Yes  No

Internal control over financial reporting:  
Material weakness(es) identified?  Yes  No  
Significant deficiency(ies) identified?  Yes  None noted

Noncompliance material to financial statements noted?  Yes  No

State Financial Assistance

Internal Control over major programs:  
Material weakness(es) identified?  Yes  No  
Significant deficiency(ies) identified?  Yes  None noted

Type of auditor’s report issued on compliance  
for major programs: Qualified

Dollar threshold used to distinguish  
a state major program: \$ 75,000

**Section II – Financial Statement Findings**

The City of Seldovia, Alaska did not have any findings that related to the financial statements.

CITY OF SELDOVIA, ALASKA

State Schedule of Findings and Questioned Costs, Continued

**Section III – State Award Findings and Questioned Costs**

**Finding 2015-002**

**Material Weakness/**

**Material Noncompliance**

**Internal Controls and Compliance over Reporting**

**Grant:**

**State Agencies:** State of Alaska Department of Commerce, Community and Economic Development, and the Department of Transportation and Public Facilities

**Grant Names:** Value Added Manufacturing Plan, State Revenue Sharing, and DOT Harbor Improvements

**Grant Numbers:** 13-DC-338, None and 13-HGH-001

**Award Years:** 2013, 2015 and 2013

**Condition:**

The City did not engage a qualified audit firm within the required timeline to complete and submit the audit in a timely manner.

**Criteria:**

2 AAC 45.010(b) states that an entity that expends a cumulative total of \$500,000 or more shall submit an audit report for the audit period by the earlier of 30 days after the entity receives its audit report for the audit period; or nine months after the end of the audit period or a later date agreed upon in writing and advance of the date in this section.

**Questioned Costs:**

None.

**Context:**

The audit firm was engaged to perform an audit in accordance with the 2AAC45 more than nine months after the audit period.

**Cause:**

The City did not have controls in place to identify the requirements of the state single audit threshold.

**Effect:**

The City is not in compliance with 2 AAC 45.010 (b)(1).

**Recommendation:**

The City needs to arrange for an annual audit and submit the reporting package within the guidelines as outlined in the 2 AAC 45.010(b).

**Management response:**

Management concurs with finding, see corrective action plan.

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

The City of Seldovia, Alaska did not have any prior year audit findings.

CITY OF SELDOVIA, ALASKA

Corrective Action Plan

June 30, 2015

**Federal Award Findings**

**Finding 2015-001**

**Late submission of financial reports**

**Name of Contact:** Cassidi Little

**Corrective Action Plan:** The City concurs with Finding 2015-001 and agrees to establish controls to ensure that submission requirements of year-end financial reports are met.

**Proposed Completion Date:** Already implemented.

**State Assistance Findings**

**Finding 2015-002**

**Late submission of financial reports**

**Name of Contact:** Cassidi Little

**Corrective Action Plan:** The City concurs with Finding 2015-002 and agrees to establish controls to ensure that submission requirements of year-end financial reports are met.

**Proposed Completion Date:** Already implemented.